

COLUMBIA LIBRARIES OFFSITE
EVERY FINE ARTS RESTRICTED



AR00880108

Guidelines for Urban Renewal Land Disposition

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT
OFFICE OF EVALUATION



Ex Libris

SEYMOUR DURST

t' Fort nieuw Amsterdam op de Manhatans



FORT NEW AMSTERDAM (NEW YORK), 1651



*When you leave, please leave this book
Because it has been said
"Ever'thing comes t' him who waits
Except a loaned book."*

OLD YORK LIBRARY — OLD YORK FOUNDATION

AVERY ARCHITECTURAL AND FINE ARTS LIBRARY

GIFT OF SEYMOUR B. DURST OLD YORK LIBRARY

Guidelines for Urban Renewal Land Disposition

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT
OFFICE OF EVALUATION

REAL ESTATE RESEARCH CORPORATION
with RTKL ASSOCIATES INC.

This report was prepared for the U.S. Department of Housing and Urban Development, under contract H-3610-R. Its contents reflect the views of the contractor and do not necessarily reflect the policy or views of the U.S. Department of Housing and Urban Development.

7
75
R28
9753

TABLE OF CONTENTS

<u>Chapter</u>		<u>Page Number</u>
1	INTRODUCTION	1
	A. Background of Study.	1
	B. Purpose of the Guidelines.	1
	C. Uses and Limitations of These Guidelines	2
	D. Other Study Products	3
	E. Organization of These Guidelines	3
2	REVIEW OF RESEARCH FINDINGS.	5
	A. Research Finding One: Rates at Which Key Renewal Activities Are Completed	6
	B. Research Finding Two: Effect of Various Factors on Land Disposition.	16
	C. Research Finding Three: Delay Causing and Accelerating Factors in Land Disposition . . .	20
3	BASIC STRATEGY TO OVERCOMING LAND DISPOSITION PROBLEMS	37
	A. Are Key Local Actors Participating Actively in Renewal?	37
	B. Does the LPA Provide Maximum Technical Assistance to Developers?	38
	C. Does the LPA Regularly Consider Alternative Disposition Methods?	39
	D. Do Planned Reuses Reflect Market and Financial Reality?	40
	E. Is There a Willingness to Provide Sufficient Developer Incentives?	45
	F. Has the LPA Fully Pursued Potential Developers?	46
	G. Have All Funding Sources Been Explored?	47
	H. Is the Phasing of Other Aspects of Renewal Related to Land Disposition Requirements? . .	48
	I. Are Overall Renewal Staff Capabilities Appropriate?	49
	J. Has the LPA Established Appropriate Priorities for its Projects?	49
	K. Have Contingency Plans Been Developed for Long-Term Delays?	50
	L. Are Marketing Efforts Operating Counter to National or Local Trends?	51
4	HOW TO USE THESE GUIDELINES.	65
	A. Introduction	65
	B. Chapter Format and Organization	67
5	OVERPRICED LAND	71
6	INADEQUATE INTEREST IN RESIDENTIAL LAND	85
7	INADEQUATE INTEREST IN RETAIL LAND	113
8	INADEQUATE INTEREST IN OFFICE LAND	143
9	INADEQUATE INTEREST IN HOTEL-MOTEL LAND.	173
10	INADEQUATE INTEREST IN INDUSTRIAL LAND	203
11	SCATTERED RESIDENTIAL LOTS	231

<u>Chapter</u>		<u>Page Number</u>
12	SCATTERED NONRESIDENTIAL PARCELS.	245
13	INFLEXIBILITY OF PROJECT PLAN	259
14	SMALL OR POORLY CONFIGURED PARCELS.	269
15	PREDISPOSITION NONPERFORMANCE BY DEVELOPER.	281
16	TIMING OF PUBLIC FACILITY CONSTRUCTION	297
17	REHABILITATION MANAGEMENT	315
18	INSUFFICIENT DISPOSITION STAFF CAPABILITIES	335
19	TIMING OF PROJECT IMPROVEMENT CONSTRUCTION.	345
20	SELECTION PROCESS FOR MULTIPLE DEVELOPMENT PROPOSALS	357
21	INTERIM PROPERTY MANAGEMENT	375
22	CITIZEN PARTICIPATION	399
23	WHETHER TO OFFER PARCELS TO SINGLE OR MULTIPLE DEVELOPERS.	419
24	APPROPRIATE METHOD OF ADVERTISING DISPOSITION PARCELS	431

DECISION TREES

Sample of Decision Tree Format.	68
Problem: Overpriced Land	73-74
" Inadequate Interest in Residential Land	87-89
" Inadequate Interest in Retail Land.	115-117
" Inadequate Interest in Office Land.	145-147
" Inadequate Interest in Hotel-Motel Land	175-177
" Inadequate Interest in Industrial Land.	205-207
" Scattered Residential Lots.	234-235
" Scattered Nonresidential Parcels.	248-249
" Inflexibility of Project Plan	261-262
" Small or Poorly Configured Parcels.	272-273
" Predisposition Nonperformance by Developer	283-284
" Timing of Public Facility Construction.	300-301
" Rehabilitation Management	318-319
" Insufficient Disposition Staff Capabilities.	337-338
" Timing of Project Improvement Construction.	347-348
" Selection Process for Multiple Develop- ment Proposals.	359-360
" Interim Property Management	384-385
" Citizen Participation	402-403
" Whether to Offer Parcels to Single or Multiple Developers	421-422
" Determination of Appropriate Method of Advertising Disposition Parcels	433

CHARTS/ILLUSTRATIONS

	<u>Page Number</u>
Location of Study Cities	7
National Means for Key Execution Activities	
Conventional Projects: Residential Land	8
National Means for Key Execution Activities	
Conventional Projects: Nonresidential Land.	9
Annual Average Rates of Execution Activities	
Based on National Experience	11
National Mean Rate of Land Disposition	
Conventional and NDP	12
Study Cities Means for Key Execution Activities	
Conventional Projects: Residential.	14
Study Cities Means for Key Execution Activities	
Conventional Projects: Nonresidential	15
Study Cities Rate of Land Disposition	
Conventional Projects: Residential	17
Study Cities Rate of Land Disposition	
Conventional Projects: Nonresidential	18
Key Delay Causes in Urban Renewal Land	
Disposition	22
Key Accelerating Factors in Urban Renewal Land	
Disposition	23
Distribution of Delay-Causing Factors by	
Frequency	24
Sensitivity of Selected Key Land Disposition	
Delay Causes by Project/Management Type	35
The Positive and Negative Aspects of Alternative	
Disposition Methods.	41-43
Catalog of Major Urban Trends.	53-64
Step-by-Step Process for Appropriately Adjusting	
High Land Prices	80
Organization of Work Elements: Market Analysis.	94,123, 152,182, 213
Investment Analysis of Projected Multi-Family	
Residential Development.	103-104
Investment Analysis of Projected Shopping Center	133-134
Investment Analysis of Projected Office Facility	162-163, 371-372
Investment Analysis of Projected Motel	
Facility - 165 Rooms	195-196
Investment Analysis of Projected Multi-Lease	
Warehouse/Office Facility.	221-222
Typical Pattern of Scattered Residential Lots.	232
Typical Access Problems of Scattered Residential	
Lots	242,278
Typical Pattern of Scattered Nonresidential Lots	246
Innovative Interim Uses	257

	<u>Page Number</u>
Maintenance of Old Layout of Streets and/or Utilities Limits Reuse Flexibility	270
Public Facilities Act as an Incentive for Private Investment	303
Preferred Staging of Rehabilitation in Project . . Adjacent to CBD and Desirable Residential Area	325
Priority Areas for Catalytic Rehabilitation. . . .	327
Property Management Problems and Opportunities by Property Type	378
Key Elements in the Development of a Comprehensive Property Management Program	381
Potential Interim Uses for Acquired Properties . .	392
Examples of Appropriate and Inappropriate Site Maintenance	395

INTRODUCTION

A. Background of Study

In June of 1973, the U.S. Department of Housing and Urban Development selected Real Estate Research Corporation, in association with RTKL, Inc., to undertake a 15-month nationwide study of urban renewal land disposition. This research focused on renewal activities in 22 cities and involved in-depth analysis of more than 70 urban renewal projects--both conventional and NDP. This study is one of the most detailed examinations of the urban renewal program ever conducted during its 25-year history.

The primary orientation of this study has been on questions relating to land disposition. Therefore, our analysis of other aspects of renewal (planning, acquisition, relocation, etc.) has been in the context of how they relate to questions of land disposition.

B. Purpose of the Guidelines

The purpose of this study--and particularly of this volume--is to provide technical assistance to local renewal agencies. It is hoped that the guidelines presented here will assist in the solution of land disposition problems that LPAs across the country may be facing. In light of the adoption of Community Development Block Grants to replace such categorical programs as urban renewal, there has been increased interest in the timely completion of renewal projects currently underway.

This volume is intended to provide suggestions and recommendations that will aid in this respect. Specifically, our intent is to provide assistance for two types of situations:

- Projects that have been in execution for some time, and may be experiencing difficulties in the disposition of remaining parcels, and
- Projects that are just entering execution and are just beginning to focus on questions of land disposition.

In the former case, our aim is to help in the solution of existing problems. In the latter instance, our intent is to provide guidance that will prevent land disposition problems from arising. An additional purpose of this volume is to provide insights that will offer guidance in the selection and execution of new projects under the Community Development Block Grants program.

C. Uses and Limitations of These Guidelines

The urban renewal program is intrinsically one of the most complex and difficult domestic programs ever undertaken. The range of activities covered by renewal is extensive. Furthermore, renewal has been used in cities with extreme variations in size, ranging from the largest to the smallest. Renewal agencies themselves vary considerably in their organization, their size, their local power and the range of capabilities contained within their staffs. These are but a few of the reasons why there are so few absolutes with respect to renewal.

Almost without exception, the material contained in this report is illustrative rather than definitive; suggestive rather than absolute. Many of the suggestions and guidelines contained herein are based upon the experiences of renewal agencies throughout the country. Some will undoubtedly have been tried unsuccessfully by other LPAs we did not visit. Still others may be applicable to certain kinds of agencies, projects, or situations.

An additional factor to bear in mind is that this volume deals in general only with those problems over which a city or LPA can exercise some control. A number of problems that have delayed land disposition are exogenous factors. That is, they are broad problems, generally operating at the national level, over which a city or LPA can exercise little, if any, control. Examples include high interest rates, lack of mortgage availability, or broad socioeconomic trends that operate nationwide to the detriment of renewal. Dealing with factors such as these is clearly beyond the scope of these guidelines.

D. Other Study Products

In addition to these guidelines for urban renewal land disposition, Real Estate Research Corporation has prepared two other volumes as part of the total study. The other two volumes are:

- Local Policy Considerations--a guide for local policy makers focusing on the need for future renewal, with general recommendations as to the most appropriate forms of future renewal activity in light of Community Development Block Grants.
- Local Evaluation Design--suggested guidelines for evaluating the overall effectiveness of current renewal activities.

Each of these three volumes was prepared by Real Estate Research Corporation, with assistance from RTKL, Inc. The Contractor is solely responsible for the statements, findings, conclusions, and recommendations. We gratefully acknowledge the cooperation given us by officials in each of the 22 test case cities, while accepting full responsibility for the conclusions drawn.

E. Organization of These Guidelines

This volume is organized in 24 chapters. Chapter 2 summarizes briefly the key findings from the more than 70 renewal projects studied in 22 cities. Chapter 3 sets the framework for the chapters that follow by summarizing major land offering approaches and briefly discussing major on-going forces and factors that may help or hinder land disposition. Chapter 4 describes how to use the 20 chapters that follow. Chapters 5 through 24 each deals with a major problem area that we have found can delay land disposition, and provides suggestions and guidelines for counteracting these problems.

2

REVIEW OF RESEARCH FINDINGS

Since 1950, over 2,500 urban renewal projects have been started in the United States; almost half are still in execution. The pervasive appearance of major time delays at nearly all stages of urban renewal have: 1) prolonged many projects far beyond their initially planned completion dates, 2) seriously reduced the overall effectiveness of many such projects, 3) discouraged many private developers from participating in urban renewal, 4) called into question the ultimate value of the entire urban renewal process, and 5) led to increased costs due to inflation, staff and interest costs.

The potential benefits of urban renewal make the undue delays in their execution both frustrating and undesirable. Over the past two decades, urban renewal has been a catalytic force for urban revitalization. Most significantly, the urban renewal program provides a vehicle for the private and public sectors to work together in attempting to solve one of the most urgent domestic problems of our country -- the rebuilding of our cities.

Thus, in an effort to counteract untimely delays and "prolonged" vacancies in the urban renewal process, HUD commissioned Real Estate Research Corporation and RTKL, Inc. to undertake a nationwide study of the urban renewal program. The primary objectives of this project included:

- Identification and determination of the major causes of delays in the land conversion process, especially those leading to "prolonged" vacancy.

- Formulation of alternative strategies and tactics for counter-acting these vacancies, and preventing them from arising.

The results of this 15-month research and analysis are presented in this volume. The data base for these guidelines was derived from an in-depth analysis of over 70 renewal projects located in 22 cities throughout the nation. Detailed studies of 51 projects in 11 test case cities were completed, and less comprehensive studies were conducted for 23 projects in 11 supplementary cities. Test case cities were studied for periods of up to four months each, whereas supplementary cities were studied much less intensively, but added considerably to our data base. Of the projects studied, 51 were conventional projects and 23 were Neighborhood Development Program projects (NDPs).

The map that follows shows the names, locations, and geographic distribution of the cities that were studied.

This chapter summarizes our research findings in three areas. First, it summarizes the rates at which renewal projects dispose of land. Second, it includes information on those factors which affect land disposition. Finally, the causes of delay and acceleration in the land disposition process that were identified in the study cities are summarized. The remainder of these guidelines is devoted to alternative strategies and tactics appropriate in counteracting these and additional problems encountered in urban renewal land disposition.

A. Research Finding One: Rates at Which Key Renewal Activities Are Completed

Contrary to popular concepts, the renewal program as a whole disposes of land at a relatively rapid rate considering the program's complexity. From a national perspective the key problems in urban renewal disposition occur in the last 5-10 years of the program. National figures indicate that by the end of the tenth year, more than 20% of the land remains to be sold.

1. National Means

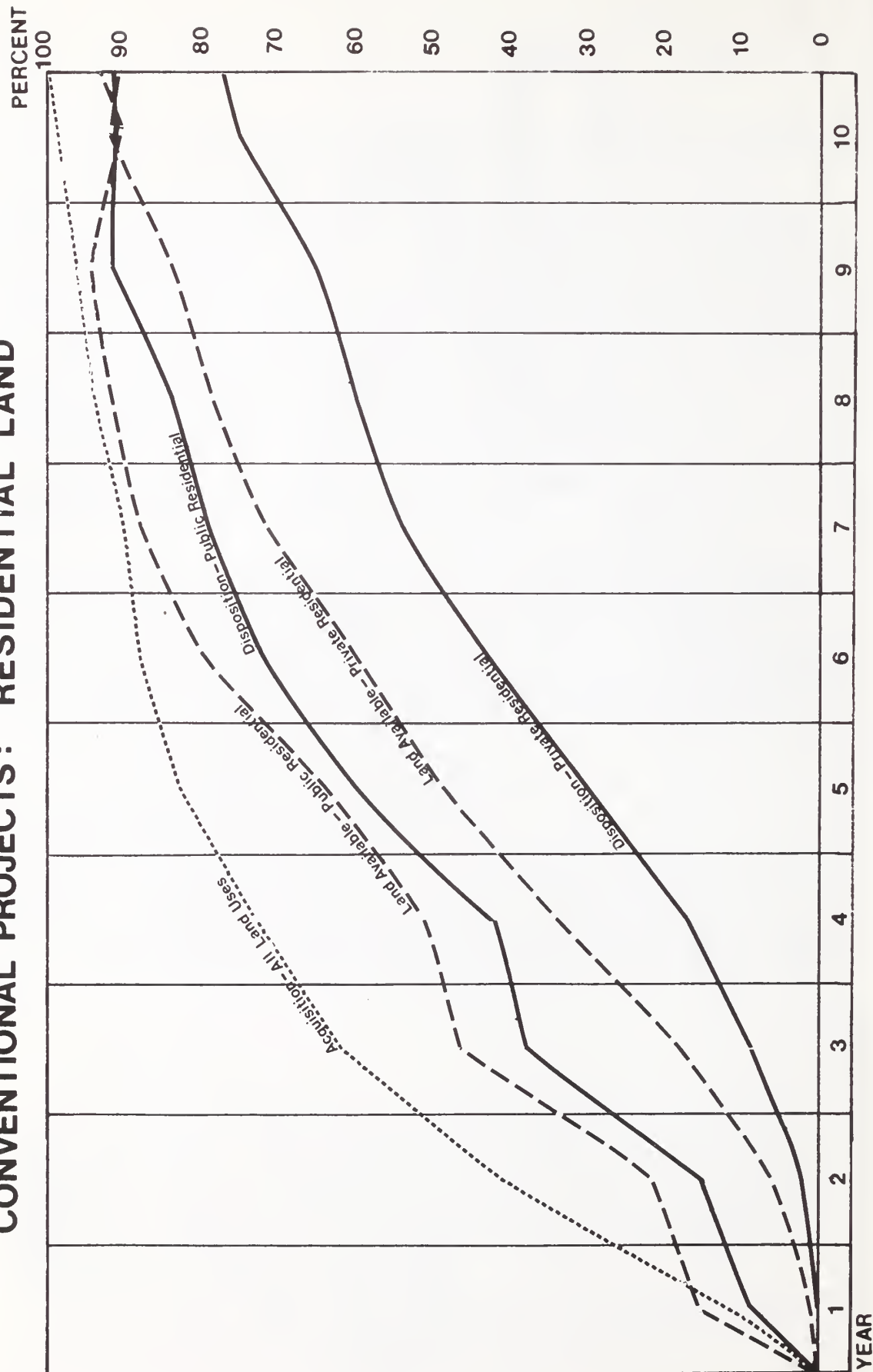
Local Public Agencies have been reporting their progress in completing execution activities for each project to the Department of Housing and Urban Development on an annual basis. Using these reported data, national means for rates of key execution activities have been computed and are shown on the following graphs. This information is more complete for conventional than for NDP projects because the former have a longer history and a more reliable reporting mechanism.

The first two graphs in this chapter illustrate progress for residential land separately and for nonresidential

LOCATION OF STUDY CITIES

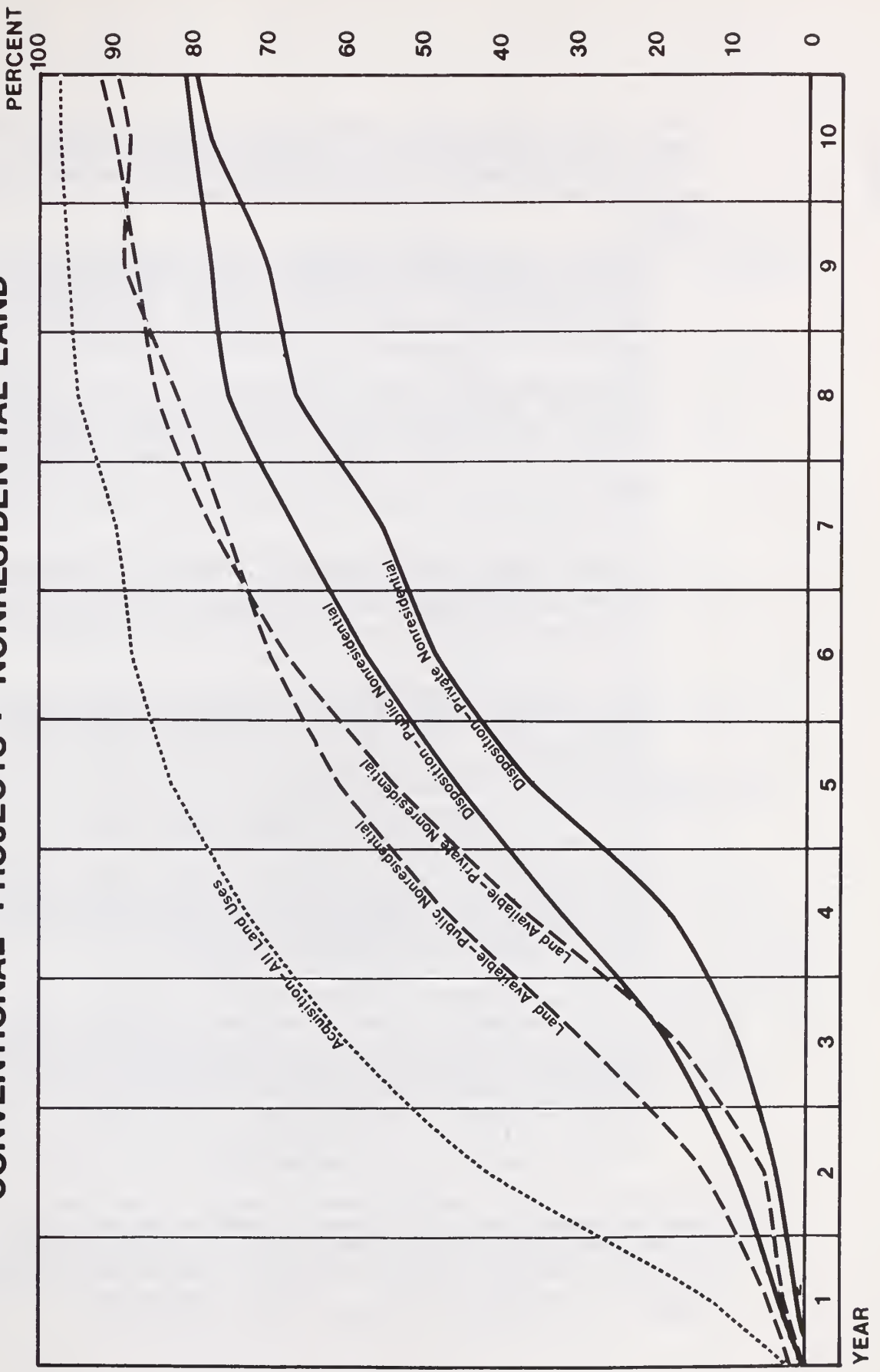


NATIONAL MEANS FOR KEY EXECUTION ACTIVITIES CONVENTIONAL PROJECTS: RESIDENTIAL LAND



NATIONAL MEANS FOR KEY EXECU

CONVENTIONAL PROJECTS : NONRESIDENTIAL LAND



land, with both types divided into public and private re-uses. An analysis of the overall rates of renewal activities measured over a 10-year period from the date of execution reveals the following findings. On a national basis:

- In the residential category, land designated for public reuse was disposed at a faster rate than that for private reuse. The average annual disposition rate for public residential land was 9.2 percent, as compared to 7.5 percent for private residential land.
- Nonresidential public and private parcels were disposed at approximately the same rates. The average annual disposition rates were 8.0 and 7.8 percent respectively. Although the public and private rates of disposition are almost identical after 10 years, the public rate leads in the first 8 years and then levels off.
- Acquisition activities experienced a 9.7 percent average annual completion rate for all land uses. It is significant to note, however, that acquisition averages 25 to 28 percent complete per year in the first two years of execution.
- The rate at which land is made available for disposition reflects the speed at which relocation and demolition occur. The rate of completion for these activities is basically the same for all land uses. The overall rates vary only from 8.9 to 9.3 percent.
- The rate at which project improvements were completed was not available on a national basis, but a similar analysis for the study cities revealed that project improvements for residential projects are completed at a faster rate than for nonresidential projects, particularly in the first five years. The respective average annual rates are 7.2 and 5.1.
- In attempting to classify renewal projects into meaningful categories, we found that the only valid distinction among projects is that between residentially oriented projects and nonresidentially oriented projects. The latter type is generally represented by CBD projects. Other distinctions appear to be either arbitrary or artificial and have little or no correlation with land disposition.

A summary of the annual average rates of execution activities measured over a 10-year period is shown below. All of the data except those referring to project improvements are based on the experience of all conventional renewal projects (national norms). Project improvements data are based on an analysis of study city experience.

ANNUAL AVERAGE RATES OF EXECUTION ACTIVITIES
BASED ON NATIONAL EXPERIENCE

2

Activities	Residential		Nonresidential	
	Public	Private	Public	Private
Acquisition* (all land uses)	-----	9.7%	-----	
Demolition	9.0%	9.3%	8.9%	9.2%
Project Improvements (study cities)	-----7.2%-----		-----5.1%-----	
Disposition	9.2%	7.5%	8.0%	7.8%

* Acquisition averages 20% per year for the first 2 years.

Source: Department of Housing and Urban Development, except as noted.

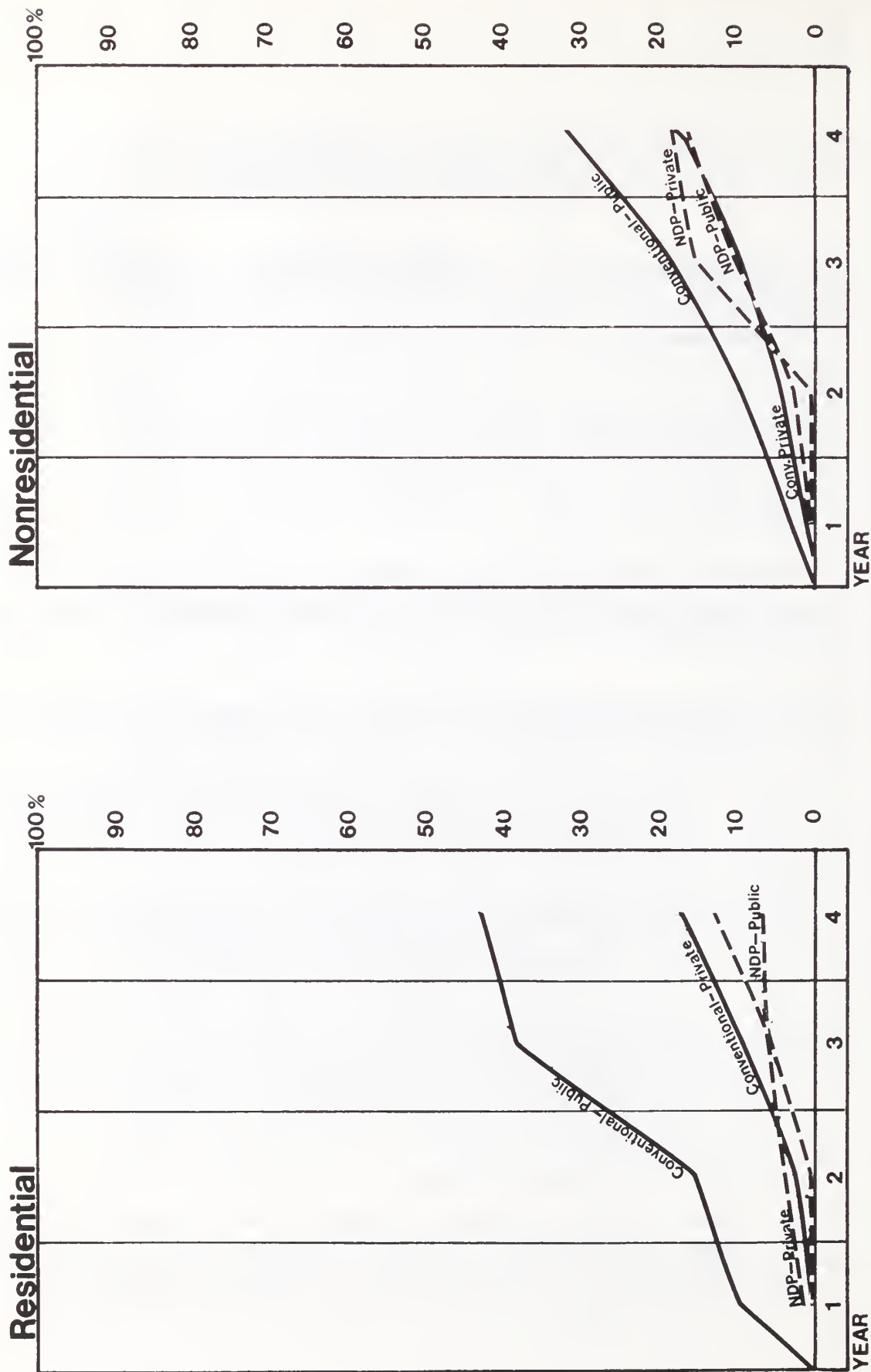
Reference to the graph entitled "National Mean Rate of Land Disposition: Conventional and NDP" shows that:

- NDP and conventional programs disposed of land designated for both private residential and private non-residential reuses at comparable rates during the first four years of execution.
- NDP projects appear to be slower than conventional ones, however, in conveying land designated for public uses. For example, by the fourth year of execution, the NDP projects had disposed of only 8 percent of their public residential land, compared to 42 percent in the conventional program. This finding must remain tentative, however, because the sample of land involved ranged from 36 acres designated "public residential" in NDP projects to 200 to 300 acres in conventional projects. Because of this variance, the results may be somewhat skewed.

2. Study Cities Time Lines

Time lines of project activities for the study cities have been prepared, based on the mean rate of completion for acquisition, demolition, project improvement construction, and disposition. The sample includes 23

NATIONAL MEAN RATE OF LAND DISPOSITION CONVENTIONAL* & NDP



Source: Department of Housing and Urban Development

* First 4 Years Only

residential and 28 nonresidential projects. A comparison of the study cities' means with the national means shows that:

- Acquisition and demolition activities proceeded more quickly in the study cities. Acquisition reached 97 percent complete in the eighth year after execution in the study cities, two years ahead of the national norm. Although the average annual rate for demolition did not vary substantially between the study cities and the national norm after 10 years, demolition activity proceeded at a much faster rate during the first six years in the study cities.
- The study cities' rate of land disposition in residential projects is comparable to the rate of residential land conveyance indicated by the national mean.
- Nonresidential projects in the study cities experienced a much slower rate of disposition than found nationally. For the first four years, the study cities' rate of disposition is almost identical to the national norm. After the fourth year, the pace slackens off considerably, however, resulting in an annual disposition rate after 10 years of 6.0, as compared to the national rate of 7.8 percent.

Additional analysis of the study cities' disposition experience indicates several interesting relationships:

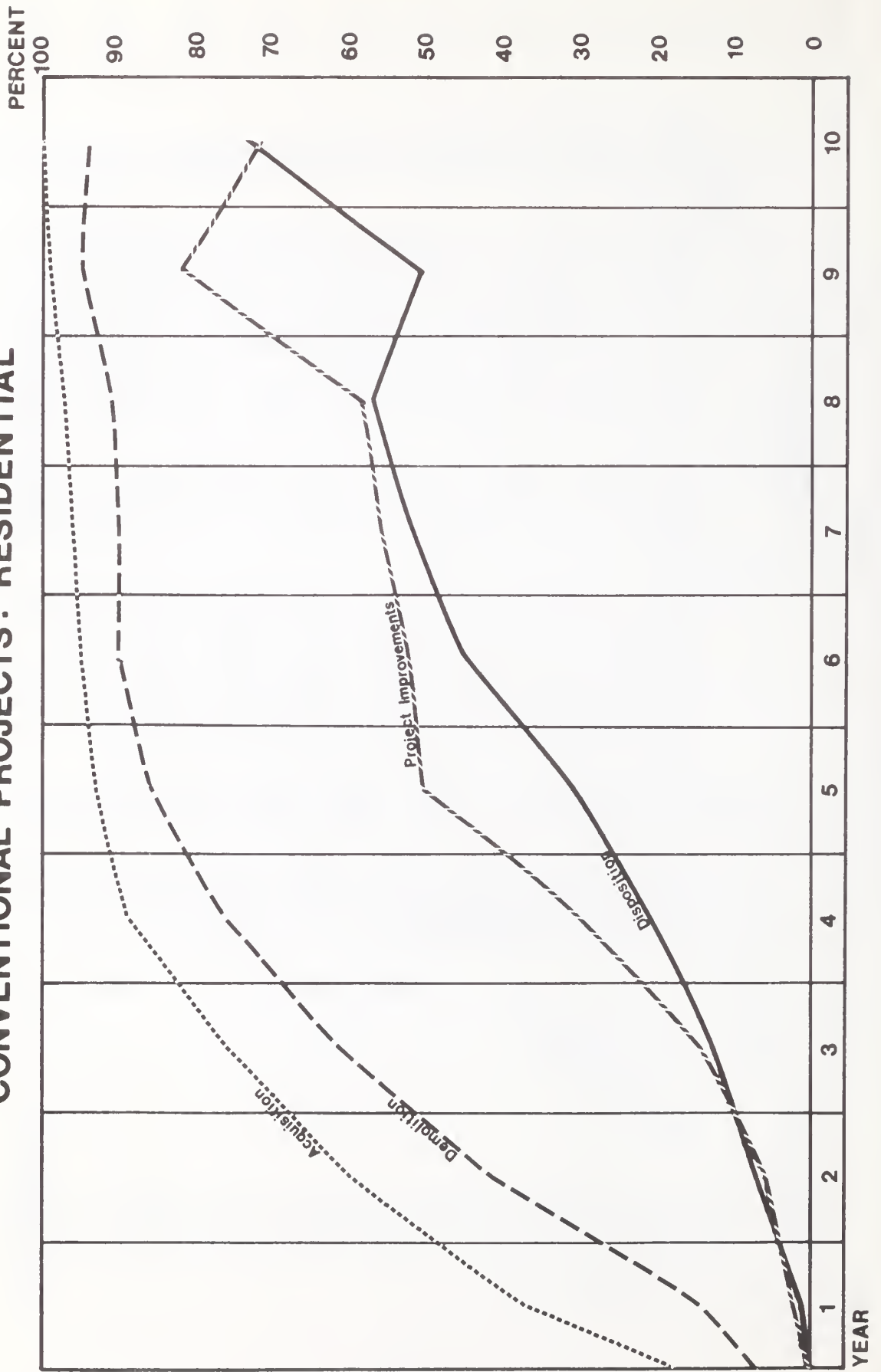
- The average length of time that elapses between the first acquisition and the first disposition is approximately 1.7 years for the entire study sample. Further breakdown by type is as follows:

	<u>Nonresidential</u>	<u>Residential</u>
Conventional	24.9 mo.	22.5 mo.
NDP	8.3 mo.	7.1 mo.
Mean	21.5 mo. or 1.8 yrs.	17.2 mo. or 1.4 yrs.

- However, one-half (10 of 20) of the residential projects did not dispose of any land until the third year of execution and one half (15 of 28) of the non-residential projects did not convey any land until the fourth year.

STUDY CITIES MEANS FOR KEY EXECUTION ACTIVITIES

CONVENTIONAL PROJECTS*: RESIDENTIAL

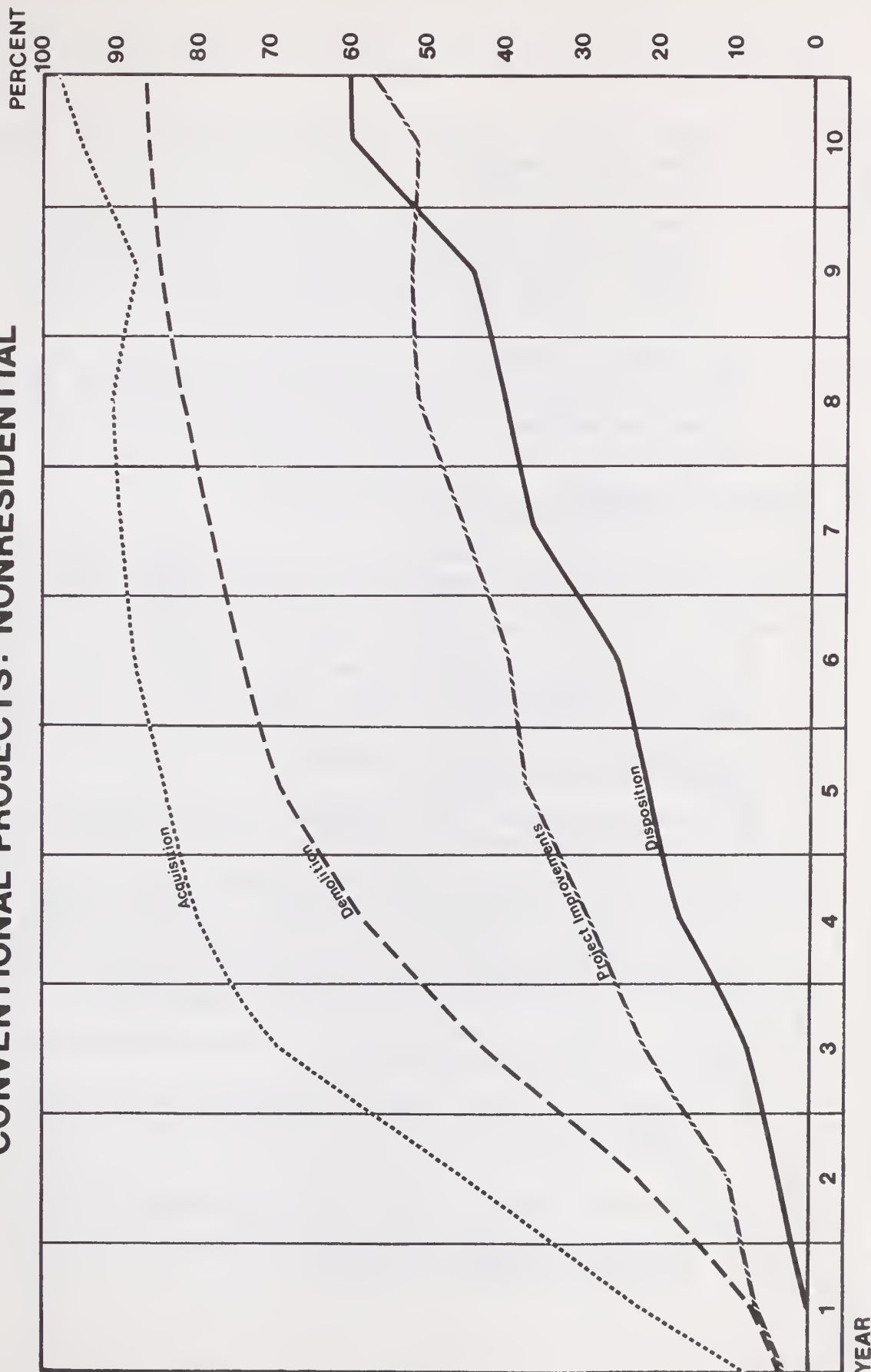


*23 PROJECTS

Source: Real Estate Research Corporation and RTKL, Inc

STUDY CITIES MEANS FOR KEY EXECUTION ACTIVITIES

CONVENTIONAL PROJECTS*: NONRESIDENTIAL



*28 PROJECTS

Source: Real Estate Research Corporation and RTKL, Inc

- NDP projects conveyed their first parcels much sooner than the conventional projects, but did not proceed faster thereafter.
- Nonresidential projects that experienced early land disposition (during the first 3 years) maintained a faster average annual rate than projects with later starts. (The data sample for residential projects was too small to test this finding.)

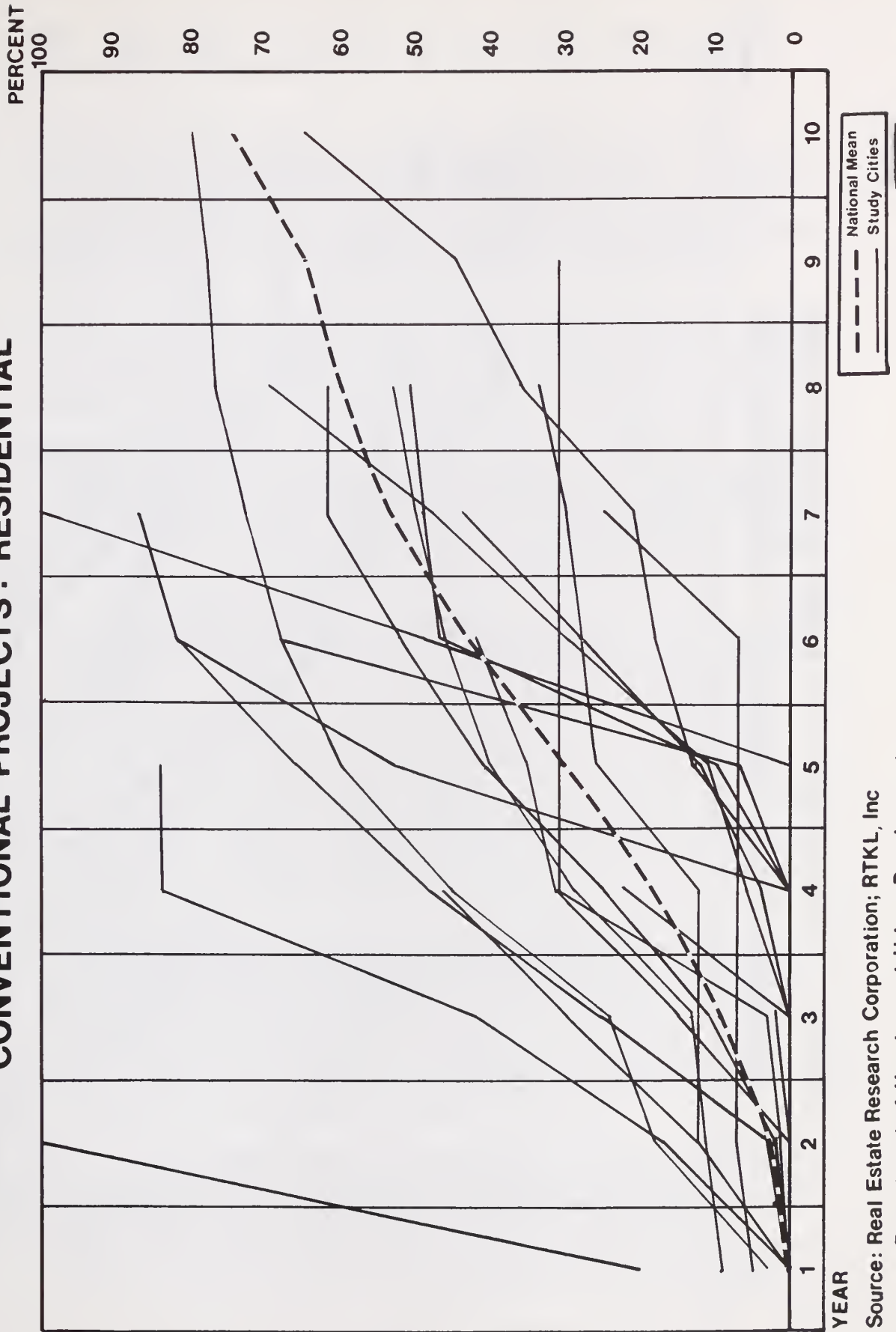
The disposition history of each project reviewed in the study cities has been plotted against the national mean for both residential and nonresidential projects. These graphs demonstrate the variance that exists in the disposition experience of these projects.

B. Research Finding Two: Effect of Various Factors on Land Disposition

The study found that a number of factors commonly believed to affect land disposition really have little or no impact. On the other hand, there are several factors that do have a greater or lesser impact on the rate at which land is marketed.

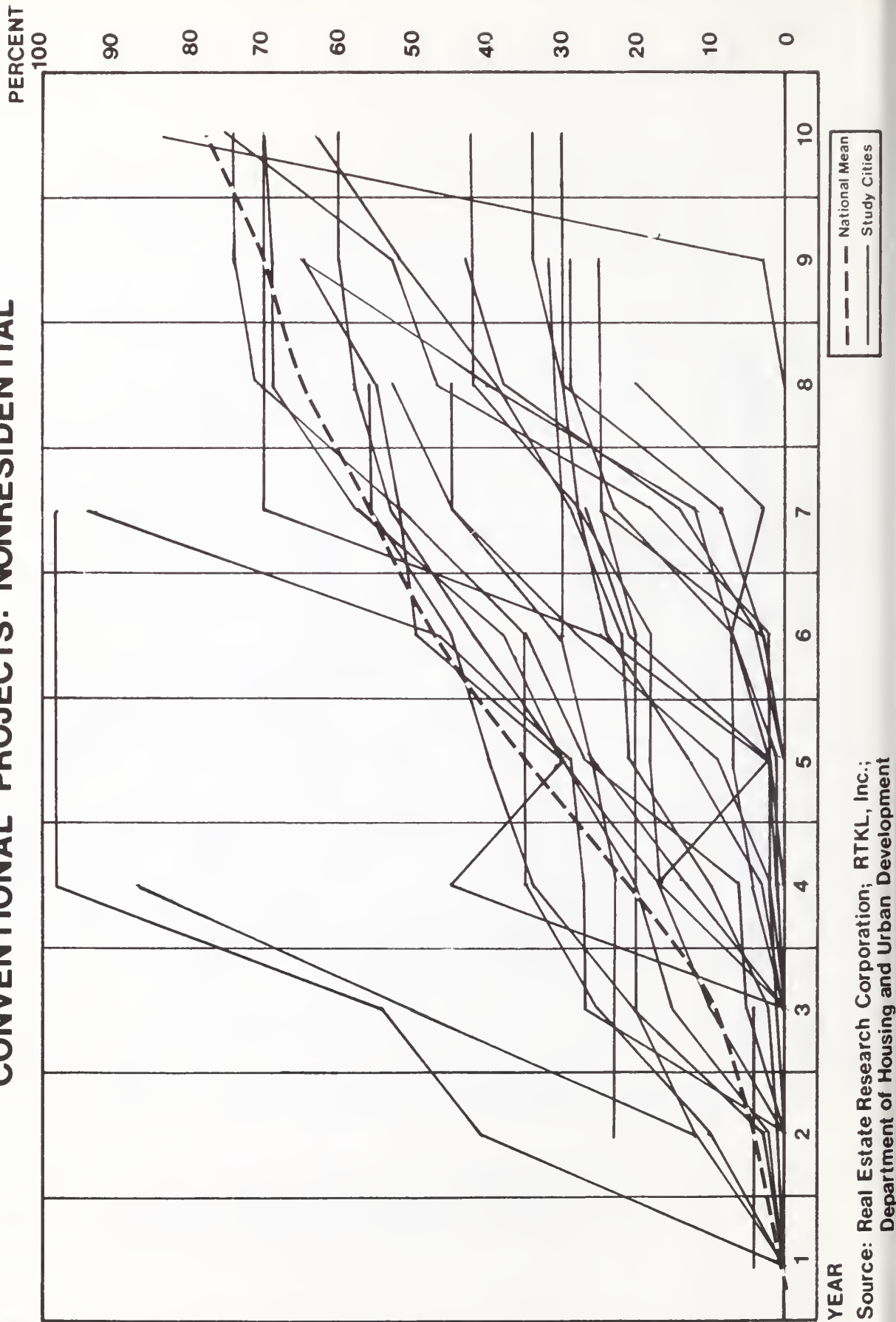
1. No relationship was found between the rate of land disposition and gross project size. Large and small projects show comparable rates of disposition.
2. No relationship was found between city size and the rate at which land is conveyed.
3. No relationship was found between a city's population change from 1960 and 1970 and the rate of land disposition.
4. The rate of land disposition in residential projects did not vary significantly with changes in selected market forces. In other words, residential land disposition has been relatively insensitive to such factors as interest rates, mortgage availability, residential vacancy rates, or the strength of the residential housing market.
5. However, the rate of land disposition in nonresidential projects varied in response to:
 - The rate at which project improvements were implemented (a reflection of the readiness and desirability of the site).
 - The prime rate (a reflection of financing availability).
 - The median family income of residents in the city (a measure of economic strength).

STUDY CITIES RATE OF LAND DISPOSITION CONVENTIONAL PROJECTS: RESIDENTIAL



Source: Real Estate Research Corporation; RTKL, Inc
Department of Housing and Urban Development

STUDY CITIES RATE OF LAND DISPOSITION CONVENTIONAL PROJECTS: NONRESIDENTIAL



Nonresidential projects' sensitivity to market forces is much greater than that of residential projects. Perhaps the greater amount of Federal money invested in residential projects (i.e., public and assisted housing units) stabilizes these projects by making a vehicle for redevelopment more readily accessible than in nonresidential projects.

6. There is evidence that the volume of residential disposition in conventional projects is closely related to the availability of housing subsidy funds. However, comparison with U.S. subsidized housing starts shows approximately a two-year lag in disposition of renewal land.
7. Success as measured by the rate at which land is disposed cannot always be correlated with success in terms of meeting the broader objectives of the urban renewal program (for example, halting the decline of an area, encouraging new private investment, strengthening the local tax base, etc.).
8. Success in the disposition of land is closely correlated with the capability of the renewal director. By "capability," we refer to astuteness as to local political conditions, involvement in the local power structure (either as a member or as a person whose opinions and recommendations are actively solicited by its members), and personal motivation to have the renewal program succeed. It is these characteristics -- rather than such factors as education, length of experience, or technical capabilities -- that appear to distinguish the "good" urban renewal director from the "average" one, and that can be closely correlated to success in land disposition, holding other factors constant.
9. No significant relationship has been found between success in land disposition and such facets of city dynamics as size, metropolitan dominance of a region, population growth, strength and diversity of the economic base, or characteristics of the population. Nonresidential projects appear to be more sensitive to these factors than residential; however, our research suggests that no one city size or type has a greater probability of success in land disposition than any other.
10. Our research indicates no correlation between the structure and organization of local government and success in land disposition. Initially, we hypothesized that a strong mayor form of government might lend itself to faster land disposition. We have not found this to be true; nor have we been able to establish any meaningful

correlation between local governmental organization and rates of land disposition.

11. The vast majority of redevelopers who participated in the test case projects were based in the city or immediate area in which the project was located. Major national developers have not participated extensively in the urban renewal projects studied.
12. With regard to commercial development, our findings strongly suggest that expectations of developing profitable neighborhood shopping facilities in predominantly residential projects are unrealistic. In most instances, it has been impossible to get such centers built. In the few that have been built, performance results have been largely negative.
13. The phase-out of the conventional urban renewal program, accompanied by considerable uncertainty regarding the future of renewal and of local agencies, appears to have caused considerable "foot dragging" with respect to land disposition. Uncertainty as to future job opportunities, together with a pronounced shift away from independent LPAs and toward city departments, have undoubtedly contributed to this situation.

C. Research Finding Three: Delay Causing and Accelerating Factors in Land Disposition

Our study revealed that there is no single, specific factor, or even set of factors, that represents a major delay common to all urban renewal projects. Rather, there are a series of complex, interrelated causes -- some that are within the control of the LPA, others that are not -- that contribute to delay at various points in the execution process. Nevertheless, because of the inherently complex nature of the urban renewal process, it is estimated that the cumulative effect of all delays in the average project is to extend the execution time only 1.5 to 2 years for those projects requiring 10 to 15 years for implementation.

Interestingly, the same factors found to cause delay in land disposition in one city actually accelerated disposition in another city. This phenomenon even occurred among different projects in the same city. Furthermore, factors that caused delays in the early years of the urban renewal program (such as relocation), may today actually accelerate projects, and vice versa (such as the environmental legislation). Despite the wide diversity of causes of delay and acceleration, certain common patterns or themes did appear. For those within

the control of the LPA, these themes have been developed into problem statements with recommended solutions in later chapters of these guidelines.

1. Types of Factors*

We have identified 92 factors that, to one degree or another, account for most of the 1.5 to 2 year delay referred to above, as shown in the following pages. They can be classified into one of four broad categories: exogenous, national program-related, local management-related, and local market-related.

- Exogenous Factors

Twenty-five factors are in this category.

These are fundamental economic, demographic, and social trends and changes in society that influence progress of urban renewal projects and their ability to market land. They provide the national context within which the program has operated. All LPAs are subject to these factors, which are largely beyond their control. They include such things as national money markets, suburbanization trends, poverty, and racism.

- National Program-Related Factors

Twenty-one factors are in this category.

These are the legislative and departmental (HUD or other Federal government) rules and regulations within which the LPA administers the national program. These

* In determining the principal factors that have delayed or accelerated the disposition of land in urban renewal projects, teams of RERC/RTKL analysts examined documents, plans, and maps and interviewed key individuals in each of the 22 cities studied. Relevant factors were identified and assigned a weighting factor by the analysts in terms of their judgments of the relative importance of each factor to the progress of each project examined. At the conclusion of the city studies, the results from a standardized list of factors and the ratings assigned by each analyst team were synthesized.

Because of the technical problems of wide regional variations and considerable latitude in analysts judgment despite careful guidelines for use of the rating system, no effort was made to undertake statistical correlations. Rather, we aggregated delay causes in terms of frequency of mention for the total sample. These were further aggregated by categories of delay or acceleration.

KEY DELAY CAUSES IN URBAN RENEWAL LAND DISPOSITION

Those Identified in 20 or More Projects

Local Management-Related

- *Inadequate Developer Selection Process
- Insufficient Local Government Support/
Inadequate Inter Agency Coordination
- Inadequate Relocation Resources/
Management
- Inappropriate Timing of Marketing
Effort

National Program-Related

- *Inadequate and Unreliable Funding of
New & Rehab/Housing Programs
- Inadequate Monitoring of disposition
by HUD

Local Market-Related

- Lack of Marketability for Commercial
Uses
- Declining Population/Buying Power for
Market Support

Exogenous

- Increased Auto Use
- High Level of Total Housing Production
(especially Suburban)
- Rising Urban Crime Rates
- "Tight" Money Markets
- Outlying Shopping Centers

Those Identified in 15 to 19 Projects

Local Management-Related

- *Insufficient "Establishment" Support
for Project/Program
- *Lag in Construction of Project
Improvements
- *Lack of Soundness in Original Plan
- *Lack of Aggressiveness in LPA
Marketing Program
- Ineffective LPA Leadership
- Lack of Continuity of LPA Leadership
- Inexperienced LPA Staff
- Insufficiently Stringent Developer
Performance Requirements
- Inflexibility in Terminating a
Developer's Contract

National Program-Related

- *Miscellaneous Administrative
Procedures (HUD "Red Tape")

National Program-Related (continued)

- Decrease in Federal Commitment to
Renewal/Housing Programs
- Conflicting National Goals

Local Market-Related

- *Inability of Developer to Perform
Inappropriate Initial Project Scale
- Lag in Restoring Investor Confidence
in Area

Exogenous

- *Racially-Segregated Housing Markets
- *Minority Group Expansion
- *Racial Disorders
- *Relative Decline of Perceived Quality
of Schools
- Spatial Expansion of Urban Growth
- Rising Dependency Among Public Housing
Occupants

Those Identified in 10 to 14 Projects

Local Management-Related

- *Excessive Reliance on Future
Transportation Plans
- Poor Staff Morale/Turnover
- Inadequate Community Support
- Lawsuits Against Project/Program
- Inappropriate Timing of Renewal
Intervention
- Inflexibility in Considering Reuse
Changes
- Inflexibility in Interpreting
Development Controls
- Lack of Integrity of Plan through
the Execution Stage
- Lack of Priority for Project in Program
- Highly Restrictive State Laws on
Property Condemnation

National Program-Related

- *Frequently Changing, Often Contradictory
Policies/Procedures
- Ineffective HUD Regional Area Office
Leadership
- More Stringent Citizen Participation
Requirements

National Program-Related (continued)

- Extensive Delays in Approving Loan &
Grant Application
- Changing Priorities in Application
Processing/Funding
- Delays in FHA Processing

Local Market-Related

- *Inappropriate Project Boundaries
- *Inherent Complexity of Scattered
Residential Sites
- *Inappropriate Parcelization
- Ineffectiveness in Establishing
Linkages from Project to Strong
Abutting Uses
- Surplus of Space/Units and Competition
of Uses
- Questionable Validity to Market
Analysis

Exogenous

- *Radial Highway Construction
- *Obsolescence of Infrastructure
- Circumferential Highway Construction
- Redlining

Those Identified in 9 Projects or Less

Local Management-Related

- Inadequate Interim Property Management
- Inadequate Budget for Marketing
- Emphasis Upon Disposition to Local
Residents/Businesses
- Ineffective Rehabilitation Administration
- Inflexibility in Land Pricing

National Program-Related

- Lack of Continuity in HUD Leadership
- Staff Morale and Turnover at HUD
- Inadequate Relocation Allowances (in
early years)
- Environmental Protection Act
- Slow Processing of Plan Changes/
Proclaimers
- Slow Processing of Other Documents
- Requirements for Developer Financial
Disclosure
- Antispeculation Provisions
- Limitations on Transfer Rights between
Developers

Local Market-Related

- Inappropriate Initial Reuse
- Lack of Marketability of Private Market
Residential Uses

Local Market-Related (continued)

- Impact of Changed Access
- Continued Stigma in Areas Abutting
Project
- Lag in Restoration of Investor
Confidence in Project Itself
- Competition of Alternative Lower-Price
Sites
- Developer Unwillingness to Participate
in Public Program

Exogenous

- *Unequal Housing Code Enforcement
- *High Construction Costs Especially
Impacting Subsidy Housing
- *Spatial Expansion Needs of Industry
- Decline in Public Transportation
- Outlying Subsidized Housing Production
- Exclusionary Housing Laws
- Increased Size of New Housing Units
- Rapid Changes in Housing Technology
- Rising Real Income and Consumption
Standards Accelerating
Decentralization
- Aging Central City Structures

*Indicates analysts' judgment that this factor was "very important" in more than half the cases cited.

KEY ACCELERATING FACTORS IN URBAN RENEWAL LAND DISPOSITION

2

Those Identified in 20 or More Projects

Local Management-Related

High Degree of Local Government Support
for Project

High Degree of "Establishment" Support
for Project

Those Identified in 15 to 19 Projects

Local Management-Related

Especially Effective LPA Leadership
Aggressive, Extensive Marketing Effort

National Program-Related

Timely Availability of Funding of
Federal Housing Subsidy Programs

Those Identified in 10 to 14 Projects

Local Management-Related

High Degree of Community Support for
Project
High Priority of Project in Program
Especially Effective Property Management
During Marketing
Emphasis on Disposition to Local
Residents/Businesses (Especially
Replacement Demand)

Local Market-Related

Appropriate Project Scale
Especially Appropriate Initial Reuse
Mix
Especially Successful in Removing
Stigma, Restoring Investor
Confidence Early in Project
Execution

National Program-Related

Importance of Land Assembly and Write-
Down to Stimulating Developer Interest

Exogenous

Availability of Local Institutional
or Industrial Resources

Those Identified in 9 Projects or Less

Local Management-Related

Especially Experienced LPA Staff
Especially High Degree of Flexibility
in Reuse Changes
Flexibility in Interpreting Development
Controls
Staging of Acquisition to Developer
Response
Good Timing of Marketing Effort
Flexibility in Developer's Take Down
Schedule
Flexibility in Land Pricing
Innovative Use of Public Financing as
Incentive to Developer
Especially Appropriate Timing of "High
Visibility" Project Improvements to
Show "Progress"
State Housing Assistance Financing
Programs
Tax Increment or Tax Abatement
Provisions

Local Management-Related (continued)

Especially Good Quality of New
Construction to Help Restore
Confidence in Remainder of
Project Area

National Program-Related

Favorable Relocation Allowances After
the 1970 Uniform Relocation Act

Local Market-Related

Availability of Subsidy Residential
Sites During "High Production" Year
Rapid Disposition for Public Facilities
and Uses

Exogenous

Increased Use of Office Space
Involvement of Large Corporations in
Real Estate

include "red tape" items that affect all LPAs but can be influenced to varying degrees, depending upon the personalities involved.

- Local Management-Related Factors
Twenty-eight factors are in this category.

These are factors largely within the control of the LPA governing board and its staff or the governing board of the locality responsible for the management and administration of the urban renewal program. This category includes all critical decisions throughout the planning and execution process including: the soundness of the original plan; the flexibility of its implementation over time; acquisition, relocation, and marketing-disposition strategies; intergovernmental coordination; the nature and effectiveness of citizen involvement; and other such elements relative to implementation of renewal activities.

- Local Market-Related Factors
Eighteen factors are in this category.

These are local socioeconomic trends and dynamics that influence market demand for alternative uses in the context of existing competition, of changes in areas abutting or proximate to the project, and other matters relating to the magnitude or timing of land disposition. These are "micro-" factors, as distinct from the "macro-" national economic conditions. To some extent, these can be influenced by staging and timing of marketing by the local Agency.

The following table shows the distribution of the key delay-causing factors identified in the study, grouped by type according to the frequency by which they were mentioned.

DISTRIBUTION OF DELAY-CAUSING FACTORS
BY FREQUENCY

<u>Number of Projects in Which Factor Was Cited</u>	<u>Local Management Related</u>	<u>National Program Related</u>	<u>Local Market Related</u>	<u>Exogenous</u>	<u>Total</u>
Over 20	4	2	2	5	13
15 - 19	9	4	3	6	22
10 - 14	10	6	6	4	26
9 or Less	<u>5</u>	<u>9</u>	<u>7</u>	<u>10</u>	<u>31</u>
Total	28	21	18	25	92

Source: Real Estate Research Corporation and RTKL, Inc.

2. Susceptibility of the Factors to Influence by the Locality

Clearly, no locality is in a position to influence all of these factors. All urban renewal projects have operated within the context of the national economy and broad societal trends and conditions (exogenous factors), such as population and buying power decentralization, concentration of poverty in the central city, rising crime, declining city services, and aging housing stocks. At the micro level, LPAs were by definition selecting projects in areas with the most severe blight. Thus, they were usually operating counter to societal trends in the areas of weakest markets where stigma existed and private investors were reluctant to enter. These local market conditions clearly slowed the progress of urban renewal projects.

Despite these common exogenous, local market, and national program constraints, we found vast differences in the rate of land disposition among various projects in different parts of the country (as was discussed in Section A). This suggests that success in land disposition (and implicitly the entire renewal process) is largely within the control of the local LPA and governing board of the municipality. We estimate, in fact, that about 50 percent of the 1.5-2 year delay that occurs in projects lasting 10-15 years is due to factors over which the locality has direct control. Another 20 percent is due to factors the locality can influence but not control, while another 30 percent is due to factors beyond its control.

3. The Most Significant Factors

The delay-causing factors listed on page 22 do not have equal significance. Some of them are likely to occur more frequently to create greater time delays than others. Local management-related factors are the most numerous and most important, suggesting that much of the disposition process is within the control of the LPA and local government. They appear to account for 35 percent of the delays that can be fully or partially controlled by the LPAs, whereas local market factors account for 20 percent, national program factors 15 percent and exogenous factors 30 percent.

The key delay-causing factors are listed by the categories outlined above (exogenous, local market-related, etc.) and are discussed by closely-related subject group in the following sections. This enables us to show the sensitivity of factors among residential and nonresidential and conventional and NDP projects. The sensitivity analysis is summarized in a table at the end of this discussion.

a. Local Management-Related

1. Degree of Project/Program Support

A prime consideration in the success of an urban renewal project is the degree to which it has attained support from the LPA, local government, the "establishment," and the general community. Lack of LPA support may be demonstrated by a relatively low priority for the project within the city's entire renewal program. Examples that were found include "low-key" residential projects that lacked the "glamour" of large-scale CBD undertakings, projects carried out by the city LPA under contract to less experienced jurisdictions, and deliberate stalling by an LPA to take advantage of HUD funding availability. Lack of priority was identified as a delay cause in 14 of the projects studied. NDP residential and conventional nonresidential projects seem to be more sensitive to delays caused by low priority than the average.

Insufficient local government support was a major delay-causing factor in 22 projects examined, while a high degree of support actually accelerated 20 others. The degree and quality of government support ranged from total apathy and actual interference by elected officials such as the mayor or councilmen, to positive support via direct policy initiatives by elected officials serving as the LPA board. Support may be "moral," political, financial, or simply the degree to which inter-agency coordination and management of the complex processes is carried out.

Closely related to local government support is the support that a project (and program) are provided by the "establishment" or informal power structure of the community. Residential neighborhood projects in particular are more sensitive to "establishment" support. Often this group is less supportive of those areas than it is, for example, of CBD-oriented projects. We found 15 projects where lack of establishment support delayed the project; yet in 20 different projects, excellent support expedited land disposition.

Finally, community support is important for the urban renewal program. Lack of community support in the early years of renewal resulted in lawsuits raising the issue of the constitutionality of the use of eminent domain powers. In more

recent years, lack of community support has often derived from those impacted by renewal, who tend to be better organized.

2. Quality of LPA Leadership

A composite of factors including the effectiveness of leadership of the LPA director, the continuity of leadership and staff, and the cumulative experience of LPA staff have important bearing upon the progress of urban renewal projects. These factors can and do vary widely over time. In recent years, however, it was observed that the quality of leadership has declined in many Agencies, corresponding to declining commitment and funding for the program by the Federal government. This often leads to lack of continuity in policy direction and therefore ineffectiveness in the critical decisions of land disposition.

Conversely, the long-term tenure of many of the staff specialists in LPAs, especially those involved in real estate, has provided a cumulative experience that has helped in land disposition. More often than not, however, LPA leadership and staff experience/capability were found to be negative rather than positive. Analysts reported that ineffective leadership contributed to delays in 16 test case projects, while good leadership accelerated 15 others. Insufficient information was available to make an assessment on the others. Again, it should be emphasized that there is a correlation over time in the same project between effective and ineffective leadership and the rate of land disposition.

Leadership effectiveness was found less significant as a delay cause in conventional residential projects, but far more important as a delay cause in NDP nonresidential projects. This is logical as the latter projects normally require careful prenegotiation with a developer in advance to enable appropriate staging of activities to match the annual funding mechanism.

3. Marketing/Developer Selection

One of the more important groups of delay causes that fall largely within the control of the LPA relates to aspects of marketing and developer selection.

Delay is often caused by the initial inappropriateness of timing of the marketing effort. In some cases, this involved attempting to market land, especially in CBD-oriented areas, where significant amounts of blight remained. Either the proposed clearance sites had not been cleared -- creating uncertainty in the minds of prospective developers that the Agency could deliver on time -- or an insufficient amount of land surrounding those tracts being marketed had been cleared. This created a situation of abutting blight that very much reduced a developer's ability to "control his environment." Other examples of inappropriate timing were caused by placing too much land of a particular reuse on the market at one time, creating competition within the project, or marketing at a time of particularly acute money market "crunches." Twenty-two projects were identified as experiencing delay in disposition due to inappropriate timing of the marketing effort. Conventional residential projects were found to be far less sensitive to delays caused by inappropriate timing of marketing, perhaps because many were designated for reuse with subsidized rather than market rate housing units. Conversely, the NDP projects were more sensitive to this type of delay, probably for a number of reasons including the need for more careful coordination of rehabilitation management and disposition for new construction.

Few LPAs were found to have a carefully designed land marketing strategy. The degree of aggressiveness of marketing efforts and extensiveness of the marketing/advertising campaign varied widely among LPAs over time and by type of reuse. The range of LPA postures towards marketing and attempting to attract developers was from a completely passive role of "waiting for the developer to come in," to an active effort to create developers by grouping potential participants to create joint venture partnerships. The breadth of marketing and advertising activity ranged from publication in national business or professional journals to local word-of-mouth contacts. However, some LPAs had no discernible understanding of which approach was best for a particular disposition offering.

In 17 of the projects examined, lack of marketing aggressiveness was deemed delay-causing; whereas

especially aggressive efforts paid off in 16 other projects in terms of accelerated disposition. Aggressiveness is more important in conventional nonresidential projects because greater efforts are often required to attract developers to inner-city, formerly blighted areas when more attractive suburban opportunities are often available to them.

Inadequate developer selection procedures proved to be one of the most significant delay-causing factors in the projects examined. In 22 of the test case projects, analysts felt this to be a serious problem. Developer selection was particularly troublesome in the early renewal projects, especially large-scale CBD projects. Inexperienced LPA and city officials were confronted alternatively by inexperienced and often undercapitalized local developers and by somewhat experienced and financially resourceful national developers who had little commitment to the local community. In both cases, the developers often failed to perform. Greater scrutiny by LPAs of the developers' past "track record," financial resources, and motivation could have prevented delays. Having learned from the "school of hard knocks," many Agencies are now more carefully scrutinizing their developers -- especially "master developers" to whom major tracts are designated for development over a relatively long take-down period. Many LPAs are now moving toward project completion after the failure of two to three (or more) "pioneer" developers on key sites.

Typically, nonresidential projects are far more sensitive to delays from inadequate developer selection procedures, although this is less true of NDP nonresidential projects, probably because of the lower number and smaller scale of such projects and the necessity for firmer precommitments by developers as required by the annual funding arrangements.

4. Adequacy of Management of Execution Processes

Land disposition cannot be isolated from the other execution activities -- acquisition, relocation, demolition, construction of project improvements, etc. The degree to which these activities are appropriately staged and adequately managed may delay or accelerate land sales.

Lag in the construction of project improvements created delays in 15 projects, whereas timely or advance construction was found to have accelerated disposition in nine projects. Acceleration of scheduled improvements was often the direct result of comments from prospective developers who reported that the absence of these improvements retarded their ability to procure tenants or financing.

The quality of interim property management was also found important as a factor influencing the pace of land disposition. In most cases, the close staging of acquisition, relocation, and demolition activities removed the impediment of blight, which tends to mitigate investor interest in an area. Thus, adequate property management was found to be an accelerating factor in 10 projects. In five other cases, however, poor maintenance of remaining structures or vacant sites was found to cause land disposition delays. Residential projects are somewhat more sensitive to the quality of property management in the area -- especially where market rate housing is involved -- than other types of projects.

The adequacy of rehabilitation management is important in residential projects and has become especially so in recent years since the focus has shifted away from total clearance and since favorable acquisition and relocation payments have actually competed with rehabilitation programs. This has placed an even greater burden on local officials to carefully plan and implement their rehabilitation efforts.

Relocation was a major delay cause in a number of projects in the early years of the program, and remained a prime cause of lawsuits until fairly recently. The sharp drop in relocation activities since fewer projects have been started that require extensive clearance, plus the Uniform Relocation Assistance Act, make unclear the impact of relocation on the rate of land disposition. It is probable, however, that relocation is now a less significant delay cause than before and may actually accelerate acquisition because of the favorable payments to displacees.

5. Plan Flexibility

The rate of land disposition in any renewal project is related to the appropriateness of the proposed reuse mix and the flexibility of the plan to meet changing conditions. Many of the disposition delays encountered were a direct result of an originally unsound reuse plan. This factor was felt to have delayed 15 projects examined, whereas a sound and flexible plan was felt to have been especially important in accelerating nine others. As important as the plan is, the flexibility of its interpretation by the LPA was often found to be of more significance. The LPAs that adopted more general plans in terms of permitted reuses and development restrictions had greater latitude in responding to market conditions and were able to avoid reapprovals by local government and HUD, reappraisals, and other restrictive provisions of the urban renewal planning process. Inflexibility in considering reuse changes was found to be a delay cause in 14 projects, and flexibility served to accelerate six. Inflexibility of interpretation of development controls was delaying in only 10 projects, and flexible interpretation was found to be accelerating in five projects.

Flexibility in land pricing also affects the rate of disposition. Inflexibility was found to delay eight projects, whereas flexible pricing accelerated six others. This factor was often accommodated in negotiations with developers through such mechanisms as extended take-down periods at a fixed price, construction of supporting facilities such as parking garages by the LPA, or other financial incentives to the developer.

b. Local Market-Related

1. Adequacy of Developer Performance

Failure of developers to perform once they have had land under contract has been a pervasive problem in urban renewal projects, especially nonresidential ones. Often this is attributable to insufficiently stringent conditions in the disposition agreement forcing timely developer performance. This was cited as a delay cause in 18 projects examined, suggesting that this problem is sufficiently common to require some remedy.

Some Agencies are now shortening the time of the disposition agreement considerably -- and even implementing a "preselection process" that allows developers time prior to the actual signing of a disposition agreement to secure firmer commitments for permanent project financing and/or tenants.

Perhaps as significant as a delay cause in this group is the reluctance of an LPA to terminate a disposition agreement once a commitment is made to a developer. This situation is understandable. Often an LPA is anxious to demonstrate to local political leaders or to HUD that progress is being made in land disposition for a complex project that had a long planning period. However, after an agreement is negotiated with a developer, the LPA may find that it is unable to deliver on some of its conditions such as timely site assembly. The developer, meanwhile, may face "tight money markets" and/or high interest rates or other factors that entail his ability to perform. When legitimate delays are encountered, LPA governing boards frequently grant contract extensions. However, these extensions may go beyond the time when it is apparent that the developer is unable to perform. The Agency's reluctance is understandable as they are confronted with a reversion of the land and probably no immediate prospect for disposition to others. Fifteen projects were found to have experienced delay for this reason. Again, nonresidential and especially CBD-oriented projects were the most sensitive to this type of delay.

c. National Program-Related

1. HUD Leadership

The direct impact of effective HUD leadership on the rate of land disposition in individual projects in particular cities is ambiguous. In the early days of urban renewal, HUD was aggressively selling the program; their leadership was effective in generating projects. It is far less evident that their leadership was ever directed to assistance in land disposition. The high housing production emphasis of Secretary Romney during the period from 1968 to 1972 undoubtedly contributed to the expeditious disposition of sites for subsidy housing in residential projects. But it also

contributed to the production of housing in suburban locations (mainly unsubsidized), which weakened residential markets for close-in locations, including urban renewal projects.

2. HUD Administration

We did not find that HUD was a major source of delay once projects reached the execution stage, which is a conclusion that is contrary to popular belief. Our findings were that HUD, in general, provided insufficient monitoring of the land disposition program of LPAs, rather than excessive monitoring. Had HUD offered more positive technical assistance and made aggressive efforts to ensure timely disposition, some of the delays we encountered could have been avoided.

The level and timeliness of delivery of program funding have caused the most serious delays in urban renewal projects in recent years. This condition was found to have been a delay cause in every city we examined. In many of these cities, uncertainty over funding rather than inadequate funding has been a key problem facing LPAs.

d. Exogenous

1. Exogenous Financial/Economic Factors

Two financial/economic exogenous factors were identified as paramount delay-causing factors in the urban renewal projects examined, but they are largely beyond the control of LPAs. Tight money markets were identified by analysts in all cities studied as having caused delay at some time in most urban renewal projects. Such conditions affect all real estate investment, both inside and outside renewal areas, and cannot be influenced by LPAs.

In 31 of the projects we studied, the prevalence of outlying shopping centers was found to be a delay-causing factor. The trend toward suburbanization of retail shopping centers -- following the decentralization of population -- was well underway by the mid-1950s. This created a significantly weakened market for the traditional retail functions of "downtowns" across the nation, which neither urban renewal nor any other program has successfully retarded.

2. Exogenous Population Factors

Although a number of broad population and housing trends have had an influence on the urban renewal program, two were found to have particular significance in the rate of land disposition: minority group expansion and rising crime rates. The expansion of minority groups into formerly white-occupied housing in in-city areas was identified as a delay cause in 17 of the projects examined. This phenomenon was far more significant as a disposition delay cause in NDP residential areas, which often had the objective of trying to preserve inner-city residential neighborhoods. Closely related to this phenomenon is the overall problem of rising urban crime rates (or at least peoples' perception of increased crime), which was identified as a delay-causing factor in 24 projects we studied.

Obviously, these are complex societal problems that are pervasive across the nation and do not lend themselves to simplistic solution. In this section, we have highlighted only the most prevalent of these, which were felt by our analysts to have significant direct linkage to land disposition. These national urban trends are set forth in more detail in Chapter 3.

SENSITIVITY OF SELECTED KEY LAND DISPOSITION DELAY CAUSES
BY PROJECT/MANAGEMENT TYPE

	<u>Residential</u>		<u>Nonresidential</u>	
	<u>Conventional</u>	<u>NDP</u>	<u>Conventional</u>	<u>NDP</u>
<u>Degree of Support:</u>				
-By Local Government	+	0	0	-
-By "Establishment"	+	+	0	-
-By Community	0	++	0	-
-LPA Project Priority	-	+	+	-
<u>LPA Leadership Qualities</u>	0	+	0	++
<u>Marketing/Developer Selection:</u>				
-Timing of Marketability	--	+	+	-
-Aggressiveness of Marketing	--	++	+	++
-Developer Selection Process	-	--	++	+
<u>Developer Performance:</u>				
-Contract Performance Requirement	--	-	-	++
-Contract Termination	--	0	+	+
<u>Management of Execution Processes:</u>				
-Project Improvements	+	+	+	*
-Relocation	-	0	+	+
-Rehabilitation	++	*	0	*
-Interim Property Management	+	*	0	*
<u>HUD Leadership</u>	0	+	0	+
<u>National Legislation:</u>				
-Citizen Participation Requirements	-	++	-	0
-NEPA	-	++	*	++
<u>HUD Administration:</u>				
-FHA Processing	+	-	-	*
-Monitoring of Disposition	-	++	-	-
-"Red Tape"	-	++	0	+
-Level/Timeliness of Funding	+	++	--	+
<u>Plan Flexibility:</u>				
-Reuse Changes	+	-	+	+
-Development Controls	-	-	+	++
-Land Pricing	0	-	-	++
<u>Exogenous Financial/Economic:</u>				
-Tight Money	-	0	+	++
-Outlying Shopping Centers	-	+	0	++
<u>Exogenous Population Factors:</u>				
-Minority Group Expansion	0	++	0	-
-Rising Urban Crime	0	+	0	-

LEGEND

- ++ Far More Sensitive than other types of projects
- + More Sensitive than other types of projects
- 0 Average Sensitivity
- Less Sensitive than other types of projects
- Far Less Sensitive than other types of projects
- * Insufficient Data Base

Source: Real Estate Research Corporation and RTKL, Inc.

3

BASIC STRATEGY TO OVERCOMING LAND DISPOSITION PROBLEMS

The land disposition problems cited in the previous chapter can be addressed in a variety of ways, as will be discussed in Chapters 5 through 24. Every locality/LPA, however, should have a coordinated land disposition "strategy" that enables it to deal with the key elements of its land disposition situation. It is the purpose of this chapter to outline the elements that the locality/LPA needs to consider in such a strategy and to list some of the techniques, procedures and guidelines that will aid in this respect. Many of the themes presented here underlie the guidelines set forth in Chapters 5 through 24.

Insofar as possible, this chapter, and indeed this entire study, is designed to assist LPAs in completing their land disposition activities in as timely a fashion as possible. Our study of more than 70 conventional and NDP projects in 22 cities has revealed a number of techniques, procedures, and suggested guidelines to aid in this respect. The key factors that we found to be behind effective land disposition are discussed briefly in the remainder of this chapter. Many of the themes presented here underlie the guidelines set forth in Chapters 5 through 24.

A. Are Key Local Actors Participating Actively in Renewal?

Cities have varied considerably in their response to renewal. In some, renewal activities are autonomous or semi-autonomous, divorced from other city functions and key local actors. In

others, renewal activities are meshed well with other city functions, and renewal has strong support and cooperation from elected and appointed officials, other city agencies, authorities, or special districts, and key business and civic leaders. Our studies have clearly indicated that the greater the integration of functions, the greater the cooperation received; and the more key actors actively involved in renewal activities, the more successful such activities have been.

With respect to land disposition, we have found that it is generally advantageous to involve key local actors (the mayor, city council members, renewal commission members, or other local officials) in discussions and negotiations with potential developers. Assurances of city support with respect to such factors as temporary street closings needed to facilitate construction, prompt issuance of needed permits, assistance in meeting any special local regulations, and timely completion of necessary project improvements or public facilities can all be important in convincing a potential developer to participate in a city's renewal program.

Another critical factor that should be given careful consideration concerns the potential role of private businessmen -- as well as civic leaders -- in land disposition. Both can play important roles in two areas: (1) identifying and locating potential purchasers of renewal land, and (2) assisting in the negotiations with such developers. A number of cities have made particularly effective use of key business leaders in identifying organizations or firms in need of additional facilities, those contemplating moving into a city from outside the region, and those seeking to upgrade existing facilities. Although this tends to be most common for commercial- and industrially-oriented projects, it also has applicability in residential areas. Religious and other neighborhood leaders can play an important role in identifying potential sponsors of nonprofit housing, in encouraging their participation in the renewal effort, and often in assisting in actual negotiations for land disposition.

B. Does the LPA Provide Maximum Technical Assistance to Developers?

Developers participating in the urban renewal program vary enormously in their capabilities, experience, and sophistication. Some developers require very little from an LPA in the way of technical assistance because of their size, their own staff capabilities, their prior experience with renewal or, particularly, familiarity with a specific city or project. Others -- especially nonprofit housing developers -- are often in need of considerable technical assistance, which the LPA can and should provide. Examples of needed technical assistance include:

- Preparation of detailed and current marketability studies.
- Analysis of financial feasibility.
- Appraisal of land to establish up-to-date values for the proposed reuse.
- Assistance in obtaining construction and permanent financing.
- Assistance in negotiations with major tenants.
- Preparation of environmental impact statements.
- Preparation of forms or documents for such agencies as HUD, FHA, VA, Small Business Administration or other applicable local, state, or federal agencies.
- Assistance in the development of architectural plans.
- Guidance in tenant selection, leasing, and marketing.

LPAs have varied widely in their response to these needs. Some maintain that these are areas beyond their competence and provide little, if any, such assistance. Others turn to outside consultants (appraisers, economists, advertising agencies, marketing consultants, etc.). Still others, generally the larger and more sophisticated LPAs, are in a position to provide some or all of this assistance on an in-house basis. Renewal agencies seeking to dispose of land are in a similar position to real estate brokers selling land on the private market. They must provide services of comparable quality, whether performed in-house or by outside experts. This is particularly true of formerly blighted parcels, where past stigmas must be overcome and possibly weak marketability bolstered.

In the case of nonprofit developers, first-time developers, or developers with limited capabilities and experience, the LPA must be prepared to provide technical assistance not only prior to disposition, but until the project has been developed and occupied. If in-house capabilities either do not exist or are insufficient, they should be supplemented when at all possible through the use of borrowed staff from other agencies or city departments, or outside experts.

C. Does the LPA Regularly Consider Alternative Disposition Methods?

There are no identical disposition parcels. Each one differs with respect to its permitted uses, size, price, access, and other characteristics. So, too, there is no ideal disposition

method for selling renewal parcels. The table that follows outlines eight alternative methods of land disposition and offers an indication of the positive and negative considerations of each. The first six methods are taken directly from the urban renewal manual. Methods 7 and 8 are options that, although permitted, have generally not been pursued by many LPAs.

Because of special state or local legislation, not all of these options are necessarily applicable in all cities. Some state enabling legislation, for example, prohibits direct negotiations with one or more redevelopers.

To the extent that these options are available to an LPA, we suggest that the application of each be evaluated for any parcel that has not been sold within one year from the start of active marketing. Frequently, an LPA will adopt one disposition method and use it for all parcels, whether or not it is the most appropriate for the particular situation. Agencies with diverse inventories should usually be using several offering methods for different types of parcels.

D. Do Planned Reuses Reflect Market and Financial Reality?

RERC found numerous instances of unrealistic expectations on the part of LPAs with respect to proposed private or, occasionally, public reuses. In most instances, this was because of one of several factors:

- Poor coordination between project planners and project economists.
- Poorly executed, inappropriate, or out-of-date market analysis.
- Inappropriate pressures applied to market analysts by LPA staff members.
- Changes in market conditions during the lifetime of the project.
- Fundamental misunderstanding of the nature of the economics of real estate development.

It has been a common failing of many renewal projects to have poor coordination between the project's planners and economists. Perhaps the most common occurrence has been to bring economists into the picture only after the plan for the project has been formulated and often approved. The economists are then in the awkward position of trying to justify a plan that may or may not be valid. For projects that are just now

THE POSITIVE AND NEGATIVE ASPECTS OF ALTERNATIVE DISPOSITION METHODS

Disposition Method

I. Fixed Price Competition
(Based on a set of specific criteria)

Positive Considerations

1. Establishes a price that the LPA is assumed to obtain, if the development takes place as advertised.
2. Gives the local community the opportunity to weigh the costs and benefits of developer submissions.
3. Provides national exposure through promotional efforts for the local community if design competition is involved.
4. Allows for selection of qualified developer(s) who want to proceed as quickly as possible with development.
5. Can provide flexibility to entrepreneurs to determine the overall economic feasibility before proceeding.
6. Allows for flexibility of design and planning for both the developers and LPA for the planned reuse.

Negative Considerations

1. Has a tendency to limit interest to one or a few qualified developers.
2. Limits number of developers who would be interested due to upfront costs for design competition and lack of assurance that a proposal would be selected.
3. Can encourage LPA shortsightedness regarding selection of a developer based upon short-run return vs. long-term benefits.
4. Can cause delays in the development process due to the length/extent of time in the design and/or competition.
5. May limit the marketability of the proposed development because of the LPA's specific reuse requirements in design and competition.
6. May result in too high a fixed price for land for a specific development to obtain FHA underwriting.
7. Limits flexibility to relate land costs to a developer's proposed project because of fixed prices.

Positive Considerations

II. Competition - Negotiation Combination
(The developer selected must have submitted highest bid)

Negative Considerations

1. Allows the developer the flexibility to establish a reasonable price for land as it relates to the proposed reuse (excludes residential projects - see Urban Renewal Manual, Chapter IV, Section 1).
2. Gives the LPA/local community the opportunity to weigh the costs and benefits as they relate to the proposed development.
3. Through public hearing requirements, gives the public a chance to speak (pro and con) on the proposed development.
4. Allows for flexibility in the planning and design of the proposed development for both the LPA and developer.
5. Provides an opportunity to select a qualified developer who desires to proceed as quickly as possible with development.
1. Can lead to lower disposition proceeds from sale of land, thus requiring greater project costs to the city and federal governments.
2. Offers potential for delaying acceptance and possibly stopping proposed project because of public hearing requirement.
3. Could result in more open debate and lead to a possible negative public image for the redevelopment program(s).
4. Can allow for political manipulation in selection of developer, possibly resulting in not selecting the best proposal.
5. Offers possibility for the LPA to extend deadline requirements for proposals, thereby extending negotiation, delaying selection of a developer, and slowing disposition process.

THE POSITIVE AND NEGATIVE ASPECTS OF ALTERNATIVE DISPOSITION METHODS
(continued)

Disposition Method

III. Sealed Bids
(Redeveloper must have submitted highest price and meet all qualifications)

Positive Considerations

1. Can allow for quicker disposition of parcel(s).
2. Could increase the expected disposition proceeds.
3. Provides for less interference and possible political manipulation.
4. Keeps redevelopers' upfront costs at a minimum.

Negative Considerations

1. Could reduce the expected disposition proceeds.
2. Could limit the interest on the part of qualified developers to submit a bid because the chances of the proposal being selected are questionable; higher risk must be taken.
3. Can result in less desirable developer and/or development.
4. Forces concise and clear presentation of acceptable standards for development because of the LPA's lack of control to negotiate.
5. May lead to development of lesser quality because the most qualified developer may not be the successful bidder.

IV. Public Auction

(The minimum bid is not necessarily the approved or established reuse value)

Positive Considerations

1. Can enable a rapid change in the environment and provide for development that will enhance the area.
2. Allows faster disposition of scattered sites that are available for development.
3. Provides for prompt selection of a preferred developer for scattered or individual disposition parcel(s).
4. Can be a feasible method of disposing of remnant or undesirable disposition parcels.
5. Can give the LPA an opportunity to pair desirable and undesirable parcels for joint disposition.

Negative Considerations

1. Could reduce the disposition proceeds.
2. Can result in a possibly less desirable developer and poor quality development.
3. Allows fewer standards for redevelopment to be established and their presentation must be concise and clearly presented.
4. Could stigmatize project, and future redevelopment, thereby delaying disposition and development process, depending on how well this method is handled.
5. Could draw undue public attention to marketing difficulties, if widely advertised.
6. Could lead to charges of exclusiveness and possibly develop a poor public image if the procedure was not widely advertised.

V. Predetermined Prices for Subdivision of Small Parcels
(The minimum bid is not necessarily the approved or established reuse value)

Positive Considerations

1. Establishes a price that the LPA is assured to obtain if development takes place and parcel(s) are sold.
2. Makes property readily available at a fixed price to any qualified developer.
3. Gives an individual purchaser the opportunity to select a developer (particularly single-family residential projects).

Negative Considerations

1. Limits flexibility to relate land costs to a developer's proposed project because of fixed prices.
2. Can result in less desirable developer and/or development.
3. Can lead to slowness in redevelopment/disposition because of individual vs. large scale development.

THE POSITIVE AND NEGATIVE ASPECTS OF ALTERNATIVE DISPOSITION METHODS
(continued)

Disposition Method

VI. Direct Negotiations with One or More Redevelopers
(If permitted by state law)

Positive Considerations

1. Can speed up disposition and development process.
2. Helps in disposition of land to public and institutional users.
3. Gives LPA complete control of total development.
4. Enables LPA to accelerate disposition and cut red tape to speed up redevelopment.

Negative Considerations

1. Can result in open debate and negative public image that opens the LPA to a charge of exclusiveness.
2. Can inhibit development and slow down disposition of parcel because of LPA's complete control.
3. Could reduce the expected disposition proceeds.
4. Can be susceptible to political control, causing public outcry.

Disposition Method-Options

VII. Purchase Contract with Extended Take-Down Period
(Can be and is utilized with the discussed disposition methods)

Positive Considerations

1. Reduces developer's initial capital requirements for a staged project, with a scheduled take down and payments as development proceeds.
2. Provides an incentive to attract developers and speed disposition process.

Negative Considerations

1. Can lead to LPA/community inheriting partially completed project if market demand diminishes for product and/or developer fails; would require selection of a new developer.
2. Causes increase in gross project costs the longer the land is held for take down by the LPA because of interest, maintenance, etc.
3. Keeps the land off the tax rolls and no tax revenues are generated for city operations.
4. Necessitates coordination of take down, development, and completion of public improvement/facilities, which can be difficult.

VIII. Long-Term Lease

(Can be and is utilized with the discussed disposition methods)

Positive Considerations

1. Reduces developer's capital requirements because payments are in the form of rent over the period of the lease, which generally extends over 25 years or more -- generally for 50+ years.
2. Enables LPA to attract the interest of more developers for specific projects.
3. Provides the developer with tax benefits such as faster depreciation of improvements, lease or operating cost, etc.
4. Allows LPA to capture accrued value because at end of lease term, the property (land and improvements) reverts back to LPA/community.
5. Gives LPA more control of all facets of the proposed development over the long run.
6. Requires both buyer and seller to approve resale of property to potential buyer.

Negative Considerations

1. Requires, for mortgage purposes, that the lender receive a subrogation of the land to the improvements.
2. Can lead to LPA losing land to mortgage, if the developer defaults during lease term; or LPA can purchase entire development (based on #1).
3. Requires both buyer and seller to approve resale of property to potential buyer.
4. Increases red tape with HUD relating to long-term financing because the lease term extends beyond the closeout of project.

beginning, this should be avoided at all costs. Ideally, planners and economists should be simultaneously involved in project planning so that the ideas of each can be incorporated into the thinking and planning of the other.

Market analysis is generally only as strong as the capabilities of those performing such studies. It behooves an LPA to use the utmost care in selecting its project economists. Furthermore, studies should be updated as frequently as changed conditions warrant.

One of the most common reasons for designated reuses not fully reflecting market and financial reality stems from the fact that LPAs frequently apply inappropriate pressures to their market analysts to justify or rationalize decisions that have previously been made -- either in physical planning or in project budgeting. In the long run, this invariably works to the detriment of the project, often delaying land disposition and requiring amendatory applications for supplementary funding.

The long time needed to complete many urban renewal projects has often meant that the original market analysis -- no matter how well done initially -- is no longer applicable. In some instances, market strength has increased; in others, it has decreased. If land remains unsold for a period of more than two to, at most, three years from the time of the last market review, an update is called for.

Unquestionably, the most important reason for reuse plans to inadequately reflect market and financial reality has to do with LPAs' misconceptions or misunderstanding of real estate economics. Although there are many such misconceptions, the most important one we found has to do with basic profitability. Real estate development -- whether in a renewal area or in newly developing suburban areas -- can be a great deal less profitable than is often assumed. Rates of return in excess of 10 to 12 percent are atypical, whereas the average rate of return on invested capital is often considerably less in renewal areas. Virtually every requirement imposed by an LPA has market and financial implications, which can strongly inhibit developer interest. Requirements as to a building's design, size, placement, density, open space, and parking all have important implications for market and financial feasibility. An LPA has every right to make reasonable demands on potential developers. However, when restrictions become excessive, market and financial feasibility declines; potential developer interest falls off; and land becomes unmarketable.

There is no substitution for an LPA's including among its key staff persons with a strong understanding of real estate

economics. If for some reason this is not feasible, reliance upon outside experts, whether drawn from the local banking and development community or consulting firms, is the only realistic option.

Is There a Willingness to Provide Sufficient Developer Incentives?

3

Renewal, by its very nature, deals with land that has historically had limited appeal to private market forces. One of the major purposes of renewal has been to reverse these trends, increasing interest in and commitment to an area. If the market for reuse were exceptionally strong, there would, in most instances, be no need for renewal actions. Precisely because this is not normally true, there has generally been a need to increase developer incentives in order to encourage land disposition.

The most common methods of increasing developer incentives are as follows:

1. Provide Parking -- In many cities the LPA, usually working with the city's parking authority, has undertaken the provision of parking to accommodate a private reuse. This has typically been financed with local revenue bonds.
2. Offer Tax Abatements -- In order to stimulate the desired development and make it financially feasible, a number of cities have provided property tax abatements for key developments -- often as high as 50 percent of the normal assessed valuation.
3. Reduce Land Prices -- A number of LPAs have, with HUD concurrence, reduced their land prices, in some instances very substantially, to increase developer incentives and to increase the marketability and financial feasibility of a given project.
4. Modify Take-Down Schedule -- If potential developers contemplate taking down land in stages, rather than all at one time, the take-down schedule can be modified to reduce the front-end cash outlay and to guarantee subsequent take downs at an agreed-upon price.
5. Provide Public Amenities -- Public provision of small parks, plazas, and other such amenities in conjunction with a proposed development can, once again, positively affect marketability. This, in turn, affects financial feasibility.

6. Construct Public Improvements and Facilities -- The kind, as well as the timing, of public improvements and public facilities can be of considerable benefit to a potential developer, often making the difference between whether a parcel is disposed of or not.
7. Reduce Development Standards -- If existing development standards (governing such factors as parking requirements, open space provisions, floor area ratios, or architectural treatment) have been found to be discouraging potential developers, serious consideration should be given to minor changes that are consistent with sound planning but may increase developer interest.

In general, the LPA should adopt a realistic -- but flexible -- posture with respect to steps it can take, either alone or in conjunction with other governmental agencies, to increase developer incentives.

F. Has the LPA Fully Pursued Potential Developers?

Some LPAs have aggressively pursued potential developers, whereas others have adopted a much more passive attitude, waiting in effect for the telephone to ring. Five actions are possible that can help to make marketing of land more effective:

1. More extensive use can be made of real estate brokers. Some LPAs have categorically refused to do this, and others have done so only as a last resort. Full advantage should be made of the real estate expertise that exists in virtually all communities.
2. Well-designed, attractive signs and high quality maintenance of vacant sites can help in overcoming marketing obstacles. HUD normally requires that signs advertising disposition parcels be placed on each site. Many are shabby, poorly maintained, and graphically uninteresting. The importance of good site maintenance, including "for sale" signs, cannot be overemphasized.
3. Advertising in local, regional, or (occasionally) national media can be a highly effective vehicle for locating potential developers. It should be used whenever possible. The choice of media will be dictated by the size, location and reuse potential of the parcel in question. Normally, use of major national media is only justified for large or highly specialized parcels intended for major new development. Regional and local media are usually more effective for most residential and smaller industrial or commercial parcels.

4. Promotional material should be well designed and contain at least sufficient information to "whet the appetite" of potential developers. LPAs often make insufficient use of promotional material, including mailers and small brochures and other handouts, designed to provide basic information on a particular project or parcel.
5. Last -- and perhaps the most important -- the LPA should actively and aggressively seek potential developers through such means as direct personal visits to local real estate developers and brokers and speeches to realty and civic organizations and others concerned with the city's development. LPAs often make inadequate use of their own contacts, as well as those of Agency board members or city officials. The LPA should, if it is not already doing so, work closely with its Chamber of Commerce, industrial development commission, and all other such organizations.

G. Have All Funding Sources Been Explored?

Although there are no clear and obvious solutions to very real problems of inadequate funding for renewal, there are several possibilities that may provide some assistance. These include:

1. General City Funds -- Many LPAs can offer a very good case for additional local funding of renewal activities that are now underway. If supplementary local funding will assist in speeding up land disposition, substantial additions can be made to the property tax rolls in many instances, which may well justify the commitment of local monies. It may also be demonstrated that the completion of renewal tasks that are now pending or in abeyance may, in turn, spur additional private development, which is unlikely to proceed until public commitments have been honored. Although this situation may not exist in all cities, a very convincing and solid argument can undoubtedly be made in many cities.
2. Community Development Block Grant Funds -- In many cities, it can be shown that the use of CDBG funds to speed up the completion of existing renewal projects represents a prudent use of these funds. Many LPAs can present a very convincing argument that the quantifiable benefits will substantially exceed the dollar costs.
3. Foundation Support -- In some cities, charitable foundations represent a possible source for limited additions to renewal funding. In particular, several foundations either

specialize or have a major interest in the provision of low- and moderate-income housing. Foundations are often interested in innovative programs, and consideration should be given to this possible source of limited funding.

4. Business Support -- Although businesses have often been asked to contribute both money and staff help to the development of planning efforts, particularly in the central area, they have rarely been asked to contribute to the implementation of programs such as renewal. A number of firms -- including those with heavy financial and social commitments to the continued revitalization of a city -- might be interested in such an endeavor. In one major eastern city, a private firm undertook to pay more than two-thirds of the cost of a small park. Although such support and assistance cannot be counted on, neither should they be ignored or ruled out arbitrarily.
5. Tax Increment Financing -- Nearly a dozen states now have provisions for tax increment financing, which enables renewal to be financed by means of local revenue bonds. Repayment of these bonds is normally made from the differential in the assessed valuation of the project area at the initiation of renewal, and at its conclusion. Thus, it is most usable for nonresidential projects where the tax base can be expected to increase substantially. Such an approach to financing is probably more applicable for future renewal projects than for projects currently underway, but its use should be considered in those states that have authorized this form of renewal financing. Cities in states that do not have such provisions should push actively for its passage.

H. Is the Phasing of Other Aspects of Renewal Related to Land Disposition Requirements?

The timely scheduling of project improvements and public facilities can be of considerable assistance in facilitating land disposition. LPAs have generally taken one of two approaches in this respect. Some have pushed for speedy completion of public improvements and public facilities at the earliest possible time. Others have preferred to wait until land disposition agreements have been finalized before going ahead with many improvements. In general, we have found the former approach to be far more successful in aiding land disposition. An attractive, well-maintained site, with most if not all public improvements completed, usually generates far more potential developer interest.

Inasmuch as the completion of public improvements and public facilities is often the responsibility of agencies other than the LPA (public works department, highway department, school district, etc.), strong interagency coordination is essential. In almost all of our 22 test case cities, we encountered major coordination and timing difficulties between renewal land disposition on the one hand, and highway planning and execution on the other. This problem has been particularly acute in cases where highway planning was handled by a regional or state agency outside the city's jurisdiction. In virtually every instance, renewal land disposition has been negatively impacted by the timing of proposed highway construction.

I. Are Overall Renewal Staff Capabilities Appropriate?

It is perhaps self-evident that an effective renewal director defines a good urban renewal program. Our research clearly demonstrated this in case after case. In addition to technical capabilities, astuteness as to local political factors, and involvement in the community power structure (either as a member or as a person whose opinions are actively solicited by its members), the renewal director plays a critical role in setting the proper tone for Agency operations. The most effective directors have generally taken an aggressive and strongly activist role in promoting renewal -- not only within the Agency, but within the community at large.

LPAs vary considerably with respect to land disposition capabilities. Some have extremely competent personnel with considerable understanding and expertise in real estate. Other LPAs have less effective in-house land disposition capabilities, and some smaller agencies have very limited capabilities. In part, these limitations may be caused by small agency size and limited budgets. However, in many LPAs, land disposition has not received the attention, the support, and the funding that are required if timely development is to take place.

We recommend that LPAs carefully evaluate their land disposition staff capabilities, using the suggestions contained in these guidelines.

J. Has the LPA Established Appropriate Priorities for Its Projects?

A number of instances have been found of an LPA focusing most or all of its attention on one project, while neglecting others. Typically, CBD-oriented projects have received considerable attention, staff time, and funding, while other less "dramatic" projects have been given substantially less attention, relative to their size and scale. Conversely, there have been a number of examples of an LPA competing with itself, either by flooding the market with more land than can

possibly be absorbed all at once, or putting land on the market that is directly competitive to land in a second project.

Clearly, it is in an LPA's best interest to review each of its projects currently in execution to determine whether or not it is overemphasizing one project at the expense of others or whether it is competing with itself by simultaneously offering more land than can be successfully absorbed in the marketplace at one time. Where appropriate, adjustments should be made in land marketing efforts, which may actually result in both more efficient and more timely land disposition with concomitant cost savings to the LPA in site maintenance, administrative, and interest costs.

K. Have Contingency Plans Been Developed for Long-Term Delays?

Sometimes, because of factors beyond an LPA's control, major long-term delays have brought renewal projects to a virtual standstill because of such factors as law suits, problems with environmental impact statements, major changes in transportation planning, political stalemates, or long-term funding difficulties. In some instances, projects that we encountered appeared to have no end-term solution in sight. In other instances, delays that had major impacts could reasonably be expected to be corrected in the not-too-distant future.

If these delays become lengthy enough, they can sometimes destroy the future probability of success of a renewal project. Rapid cost increases, particularly in times of high inflation, can make project financing difficult, if not impossible. Present market potential for the intended uses may be saturated, making later completion of the project unrealistic. Potential developers who had expressed interest in the project may move on to other commitments. Spiraling costs for project administration, site maintenance, and interest charges may destroy the LPA's carefully worked out project economics. In short, major delays -- if significant enough -- can jeopardize future chances of success for completing renewal activities.

If factors such as these have delayed a project for a period in excess of two years, and if future improvements in the situation cannot be seen within one year to 18 months, an LPA should undertake a full reevaluation of its actions to date, and begin to formulate alternative strategies that take present realities into account. In some instances, substantial changes in planned reuses may be sufficient to start a project moving again. In others, a change in tactics and strategies may be appropriate. In still other cases, the only feasible solution may be to terminate the project and landbank any presently available disposition parcels.

Land banking is a tactic that has been infrequently applied by LPAs -- and then somewhat sheepishly. The successful elimination of blight may in itself be sufficient justification for considering a renewal project a complete success. Recognition of the fact that a reuse market may not exist or that legal or other problems have totally stymied a program is both prudent and wise. Furthermore, if all maintenance, administrative, and interest costs are fully taken into account, it may actually be less costly to close out a project prior to land disposition, holding remaining parcels in a land bank until the situation changes, the market improves, or a decision is made as to the most appropriate use of the site or sites. Although this tactic may not be appropriate in the majority of cases described above, it is undoubtedly applicable to some projects and should receive careful consideration.

3

L. Are Marketing Efforts Operating Counter to National or Local Trends?

By their very nature, many renewal programs have operated counter to national or local trends. Renewal has been CBD-oriented, while growth potential in most cities has been in suburban areas. Many renewal efforts have had a strong commercial component, particularly in the central business district, while national trends have often favored decentralization. In part because of land economics, renewal has often opted towards higher density residential development, while in many areas overall residential trends have moved towards lower density development. These are but a few of the many national and local trends that have tended to work against successful land disposition in urban renewal. A fuller description of these major urban trends is contained in the tables that follow. Not all have negative implications for renewal; nor do all operate in any given city or metropolitan area. However, all of them are widespread trends that should be taken into account by LPAs marketing renewal land.

A second important factor with respect to trends has to do with their timing. In a number of cities, the timing of downtown renewal, for example, coincided with a major office building boom in the 1960s and renewal was able to take advantage of this trend. In other cities, the timing of residential renewal projects coincided with civil disturbances, a major fiscal squeeze on cities, a decline in public transportation, and declines in the quality of central-city school systems. In this case, the timing of trends was such as to cause a negative impact on renewal, making land disposition far more difficult than anticipated. In the early and mid-1970s, housing moratoria, rising interest rates, inflation, and other broad external factors operated to the detriment of renewal.

The one characteristic of these factors is that each is generally beyond the control of any given LPA or city. They represent broad forces that are operating, usually at the national level, and often are not susceptible to change at the local level, particularly in the immediate future.

These factors, by their very nature, are beyond the sphere and scope of these land disposition guidelines. We do suggest, however, that an LPA review the following list of factors, if only to determine which of them may be operating to the detriment of renewal land disposition.

If a project has been stalemated by factors such as those described above, an LPA should consider the development of contingency plans (as described in Section K above) that better reflect these national trends and, where possible, modify plans in such a way as to move with trends rather than against them.

CATALOG OF MAJOR URBAN TRENDS

Short Name	Nature of the Factor	Type of Timing
Increased use of automotive vehicles	Rising use of automobiles by persons going to and from work, and for shopping and other trips, and of trucks for business and commercial purposes.	Increased steadily throughout period from 1945 through present; still rising.
Radial expressway construction	Building of major roadways linking central business districts with outlying suburbs.	Most radial expressways completed in large metropolitan areas.
Circumferential expressway construction	Building of major roadways around the periphery of metropolitan areas.	Became most significant in late 1960s and early 1970s.
Decline of public transportation	As shift to automobiles increased, public transportation ridership declined. This plus higher wages increased per-mile cost and required higher fares, further cutting ridership. Services were cut back and general quality and use fell steadily.	Public transportation hit peak in World War II, then declined steadily in total ridership as auto usage expanded rapidly in 1950s and 1960s. Several new fixed-rail systems started in late 1960s and early 1970s, however.
Increased air travel	Greater use of airlines for business purposes and other travel, with subsequent increased importance of airports as transportation centers.	Steadily rose until 1969-1970 recession; resumed slower growth after 1971.

CATALOG OF MAJOR URBAN TRENDS
(continued)

Short Name	Nature of the Factor	Type of Timing
Resistance to urban expressways	Political and other resistance to continued construction of major urban expressways through residential areas or urban centers, often resulting in halts in construction and failure to complete planned networks.	Resistance was weak in 1950s and early 1960s; became intensive in late 1960s and early 1970s.
High-level total housing production	Production of record numbers of total housing units, mainly in suburban areas, in period from 1968 through 1973 -- especially in 1971, 1972, and 1973.	Housing production was high in 1950, then varied counter-cyclically with business cycle, with average of about 1.6 million per year until big production after 1967.
Subsidized housing programs	Federal housing subsidies paid to producers of units enabled them to build units for occupancy by low- and moderate-income households who could not afford "decent" new or even moderately older units. This provided a type of re-use on urban renewal sites capable of housing households who had been displaced by clearance. But large numbers of public housing units near CBDs weakened marketability of middle- and upper-income housing nearby.	Subsidies played minor role in total production, but major renewal role up to 1968. Then rising role in total output peaked at over 20% of non-mobile-home units in 1971 -- also more emphasis on subsidized units in renewal areas after 1968. Moratorium occurred in 1973 and drastically slowed production.

CATALOG OF MAJOR URBAN TRENDS (continued)

Short Name	Nature of the Factor	Type of Timing
Outlying subsidized housing	Construction of large numbers of subsidized housing units for low- and moderate-income households in outlying areas away from innercity renewal areas. This was mainly in southern metropolitan areas.	Confined to South; occurred mainly from 1970 to 1973.
Rising dependency among public housing families	Increased percentage of all households living in public housing consisting of those on welfare or otherwise dependent as a result of court decisions making relocation of displaced households of this type in public housing mandatory.	Shift towards higher proportions of dependent households accelerated in late 1960s because of legal decisions sponsored by Office of Economic Opportunity cases.
Exclusionary housing laws	Maintenance of high-cost construction requirements and zoning regulations in suburban areas, having the effect of preventing low- and moderate-income households from moving into such areas.	Such regulations became widespread in the late 1950s and early 1960s; still largely in effect.
Unequal housing code enforcement	Rigorous enforcement of high quality standards in new-growth areas, but very lax enforcement in older areas with consequent concentration of severe blight in older neighborhoods occupied by lowest-income residents.	This duality of standards was practiced much more rigorously after World War II than before, but has been prevalent through the 1950s, 1960s, and 1970s.

CATALOG OF MAJOR URBAN TRENDS
(continued)

Short Name	Nature of the Factor	Type of Timing
Increased size of new housing units	As living standards rose, builders responded by raising the average size of new dwelling units. This raised occupancy costs, but also made older smaller units obsolete more rapidly.	Steady rise in size of average new units from 1950 through 1968. The shift to more adult-oriented households caused change in new-unit mix towards more units for smaller households.
Rapid changes in housing technology and styles	Constant shifts in both technical features (such as air conditioning and built-in appliances) and living styles (such as family rooms and bigger kitchens) tended to make housing become obsolete faster after it was built, and old housing hard to market.	Steady development of this trend throughout post-World War II era. But probably speeded up after 1960 because shortage of housing units over, and more emphasis upon marketing <u>quality</u> of units.
Racially segregated housing markets	Continued racial separation of white and nonwhite housing markets through discriminatory behavior, mainly by white realtors, builders, developers, homeowners, and households.	Racially segregated housing markets have prevailed in U.S. northern cities throughout this century, and in the South since school desegregation.
Minority-group expansion	Growth of minority-group populations within central cities, and their spatial expansion into formerly mainly-white areas through a process of "massive transition" in local housing occupancy.	Steady spatial expansion of minority groups came after restrictive covenants ruled unconstitutional in 1948, and acute housing shortage eased after 1950.

CATALOG OF MAJOR URBAN TRENDS (continued)

Short Name	Nature of the Factor	Type of Timing
Racial desegregation	Racial desegregation of public facilities and public schools, especially in southern areas, with consequent shift of CBD patronage from mainly white to partly or mainly black. Tendency of many whites in central city areas with school-aged children to move to suburbs to avoid desegregated schools with black majorities.	Desegregation of public schools and facilities in the South occurred mainly in the late 1960s and early 1970s in most areas, though earlier in a few border states.
Racial disorders	Major riots and disorders erupted in many cities in black neighborhoods with poverty concentrations. National media coverage heightened fear of racial integration or innercity living among whites as a result.	Disorders began in 1964 and 1965, hit peak of intensity and geographically spread in 1967 and early 1968. Have sharply declined since then; few occurring now.
Rising urban crime rates	In all urban areas, but especially in low-income innercity areas, rates of major crimes against both persons and property rose rapidly throughout the period after 1960. Greater personal insecurity and fear accelerated the withdrawal of middle-income households from concentrated poverty areas, and inhibited marketing of new or existing housing in such areas to households who could afford market rents (and thus had other locational choices).	Crime rates rose especially fast in the 1960s because of growth of teen-age groups in major cities, and other factors not known. Rate of increase accelerated after 1965 in most areas.

CATALOG OF MAJOR URBAN TRENDS (continued)

Short Name	Nature of the Factor	Type of Timing
More adult-oriented households	Rising importance of adult-oriented households in total population composition as result of falling birth rates and new morals in late 1960s and early 1970s onward.	Decline in birth and fertility rates in late 1960s, plus splitting off of young adults caused by prosperity in late 1960s, emphasized this trend in late 1960s and early 1970s.
Change toward more casual and leisure-oriented life styles	More casual living and greater leisure in the post-World War II era changed housing styles, put more emphasis upon outdoor activities and outdoor-orientation in home design, and later upon more travel and away from home recreation.	Shift in lifestyles was greatest in late 1950s and early 1960s. Then change to smaller households plus higher land costs made multi-family units more widely acceptable even in suburban areas.
Relative decline in perceived quality of central city public school systems	Increasing dominance of central-city public schools by low-income and minority-group children in big cities caused many middle-income households to perceive those schools as inferior to suburban systems; hence many middle-income families with school-age children moved out of central cities or would not move into them.	This was a steady development throughout the post-World War II period, but most pronounced in 1960s because of minority group growth in big cities, and desegregation of public school systems in South.
Loose monetary conditions	Periods when easy mortgage credit availability encouraged home buying and real estate development of all types.	Mortgage credit available most easily in recessions when few other uses of funds compete; most recently from 1970 through mid-1973.

CATALOG OF MAJOR URBAN TRENDS
(continued)

<u>Short Name</u>	<u>Nature of the Factor</u>	<u>Type of Timing</u>
Tight monetary conditions	Periods when lack of mortgage credit availability made home buying and real estate development of all types very difficult to finance.	Tight money periods usually occur in middle of rising prosperity just before cycle peak; examples are 1966, 1970, and 1973.
Red-lining	Practice of financial institutions of refusing to make any mortgage loans in certain designated inner-city areas considered too high a risk for proper security. This results in inability to finance rehabilitation or repairs there, thus causing further deterioration.	Extensive in central-city areas until late 1960s when FHA liberalized its lending policies in such areas; more liberal there until 1973 moratorium following inner-city FHA scandals.
Rising real incomes and consumption standards	Increased real incomes, and thus higher standards of both personal and business consumption, among most American households and business enterprises -- and even among public agencies. This results in less willingness to continue occupying old, obsolete housing or nonresidential property.	Rising real income for all households through most of post-World War II era, except during inflationary period in late 1960s. Rising real income for businesses and institutions throughout this era.

CATALOG OF MAJOR URBAN TRENDS
(continued)

<u>Short Name</u>	<u>Nature of the Factor</u>	<u>Type of Timing</u>
Fiscal squeeze on municipal governments	Slow-rising property values of older structures, plus limited other tax sources, contrasted with rapid increases in both the scope of municipal services demanded by the public, and the level of wages for public employees and other costs. The result was increasing difficulty of attaining fiscal balance in many large, older central cities and suburbs.	Fiscal squeeze hit cities at different times, but was probably worst in late 1960s recession; then somewhat eased by early 1970s prosperity and first federal revenue sharing, plus more state aid from rising state revenues in early 1970s prosperity.
Outlying shopping centers	Development of many large and small automobile-oriented retail shopping centers in suburban and other outlying locations, competitive with the central business district but better located to serve the growing suburban population.	Centers began in 1950s and continued appearing through present time. Average size increased over time to major 3-and-4 department store regional centers in late 1960s, with enclosed air conditioned malls.
Increased use of office space	Major expansion of office space used by firms of all types, often located in CBDs, as part of shift in labor force and upgrading of business and other space usage.	Office space building hit peak in 1960s in most metropolitan areas, causing temporary oversupply. But growth of occupancy remained more rapid than most had forecast.

CATALOG OF MAJOR URBAN TRENDS
(continued)

Short Name	Nature of the Factor	Type of Timing
Involvement of large corporations in real estate development	Many large industrial corporations began real estate development projects in the 1960s in spite of lack of prior experience or real knowledge of the field. This led to unsuccessful projects and some outright fiascos, as well as delays.	Basic expansion of real estate development through entry of large firms occurred in late 1960s. Part of general shift of capital-flow structure that favored real estate more than formerly.
Spatial expansion of industry needs	Increased requirements for building and land space by industries caused by more extensive single-floor work layouts, desire to preserve room for future expansion, immediate growth needs, and desire for ample parking. This caused many industries to move from central cities to bigger sites in the suburbs.	Movement of industries and distribution centers out of cities occurred steadily throughout 1950s and 1960s and perhaps fastest in 1960s in response to better suburban road networks, plus sustained prosperity among business firms.
Non-branch banking	In cities where no branch banking was allowed, large downtown banks had strong interests in upgrading the central business district. This desire was much weaker where branch banking was legal.	Downtown orientation of non-branch banks still strong as long as no branching allowed. Some dilution by one-bank holding companies in 1960s.

CATALOG OF MAJOR URBAN TRENDS (continued)

<u>Short Name</u>	<u>Nature of the Factor</u>	<u>Type of Timing</u>
Local institutional or industrial resources	Presence of some large national firm headquarters, or one or more major institutions locally based, with a more than purely profit-oriented stake or interest in the local central city and its prosperity and condition. Communities where such resources exist have sometimes succeeded in motivating them to aid in central city redevelopment to a degree beyond that required by "pure" profit maximization.	Commitments by such firms to aid in local urban renewal efforts were greatest in late 1950s through late 1960s after urban disorders.
Anti-government orientation of local leaders	In many communities, local leaders were hostile to any federally-supported programs. Also, nearly all developers have been skeptical about the ability of urban renewal authorities to actually deliver on their promises (such as clearing proposed sites within stated times).	Hostility to federally-supported programs was at peak in 1950s, declined in most areas by 1960s as far as recognition of need was concerned. But skepticism about federal program ability and worthiness rose sharply in late 1960s.

CATALOG OF MAJOR URBAN TRENDS (continued)

Short Name	Nature of the Factor	Type of Timing
Spatial expansion of urban growth	Tendency of urban growth to spread out spatially on the edges of the already built-up areas through extensive, relatively low-density development that pushed the edges of new development farther and farther away from the central business district, thereby making it more and more vulnerable to "interception" by competitive outlying retail, office space, and other facilities.	Spatial spread of development rapid throughout post-World War II era. Accelerated by radial and circumferential expressway networks, in spite of shift to higher-density housing in many suburban areas. Suburbs steadily became more "urbanized" with creation of nonresidential facilities of all types in suburbs in 1960s.
Continued aging of older buildings	Increased physical deterioration and obsolescence in many existing residential and non-residential structures in central cities caused by aging inherent in the passage of time.	Major clearance of older structures in 1950s and early 1960s for urban renewal and highways cut out some of the worst decay. Clearance slowed in late 1960s, allowing aging to continue in remaining decayed areas.
Obsolescence of infrastructure	Water, sewer, and utility systems in many older city areas were inadequate to bear loads from new higher-density structures, or new more-power-using consumer behavior patterns. This often required costly reconstruction of infrastructures before renewal of final improvements was possible.	Obsolescence was most acute in 1950s but remains a problem in cities that have not invested in major utility improvements -- as many cities did in late 1950s and especially in 1960s.

CATALOG OF MAJOR URBAN TRENDS
(continued)

Short Name	Nature of the Factor	Type of Timing
Fragmented governments and lack of regional planning	Division of the metropolitan area into dozens of uncoordinated governmental units prevented any real coordination of planning or execution of region-wide facilities in many areas -- including utility systems, highways, and location of major shopping centers and other commercial properties.	Fragmentation remained strong in most areas during last four decades -- rose where many new suburbs were formed. But some area-wide agencies for highways, water systems, utilities were established in 1960s; weak regional planning also began then, but has little power of implementation.

Prepared by Real Estate Research Corporation.

4

HOW TO USE THESE GUIDELINES

A. Introduction

Chapters 2 and 3 outlined some of the major land disposition problems in the renewal program and the elements of a land disposition checklist that a locality can use in developing its land disposition "strategy." It is the purpose of the remainder of this set of guidelines (Chapters 5-24) to: a) describe in more detail the most significant land disposition problems, discussed in Chapter 2, over which the locality/LPA has full or partial control, and b) outline a checklist of questions, findings and actions that will aid the locality/LPA in overcoming each of these problems.

To use these guidelines properly, the user must first identify the land disposition problem that he/she believes to be most significant in the project by skimming the "problems" statement in Chapters 5-24, looking for the ones that have applicability. He/she then can follow the sequential checklist of questions, findings and actions that may be taken with respect to the specific problem(s) involved.

Twenty major problem areas are outlined. The problems, and the chapters in which they are discussed, are:

Problem	Chapter	Page
Overpriced Land.	5	71
Inadequate Interest in Residential Land. .	6	85
Inadequate Interest in Retail Land	7	113
Inadequate Interest in Office Land	8	143
Inadequate Interest in Hotel-Motel Land. .	9	173
Inadequate Interest in Industrial Land . .	10	203
Scattered Residential Lots	11	231
Scattered Nonresidential Parcels	12	245
Inflexibility of Project Plan.	13	259
Small or Poorly Configured Parcels	14	269
Predisposition Nonperformance by Developer.	15	281
Timing of Public Facility Construction . .	16	297
Rehabilitation Management.	17	315
Insufficient Disposition Staff Capabilities	18	335
Timing of Project Improvement Construction	19	345
Selection Process for Multiple Development Proposals.	20	357
Interim Property Management.	21	375
Citizen Participation.	22	399
Whether to Offer Parcels to Single or Multiple Developers.	23	419
Determination of Appropriate Method of Advertising Disposition Parcels.	24	431

Two important points should be emphasized about the chapters that follow:

1. Each deals only with problems over which the LPA or city has control. In some cases, this control is total; in other cases, it is partial. Each of the chapters contains ideas, suggestions, and recommendations that can be acted upon by the LPA, either by itself or in conjunction with other local agencies and groups. No attempt has been made to deal with broad national problems or delay causing factors over which an LPA has little, if any, control.
2. The material contained in these guidelines is generally illustrative rather than definitive. Because renewal is such a complex and diverse program that operates in very different ways in different cities, it is often difficult to generalize findings and conclusions. Organization of renewal agencies varies considerably from city to city, as does the nature of their work. Cities vary in size and in political structure; therefore, LPAs vary in their

capabilities, their size, and their sophistication. Renewal agencies with staffs of several hundred persons are not uncommon; neither are agencies with a total staff of only a few persons. Finally, for some of the reasons mentioned above, tactics that have worked well in one LPA for a given problem may not be applicable in another agency that has ostensibly the same problem. For these reasons, the material in the chapters that follow should be considered as illustrative and suggestive, rather than as definitive or absolute.

B. Chapter Format and Organization

4

The chapters that follow are each organized around a Decision Tree, a sample of which is included on the next page. Essentially, this Decision Tree is a sequential checklist of questions, findings, and actions composed of the following:

- Basic Alternatives -- The two to four basic options that an LPA has for dealing with the problem area covered by the Decision Tree. In the sample cited on the next page, for example, the LPA can pursue one of two courses of action if there is inadequate interest in office land:
 - Continue to market land under present or modified reuse, or
 - Hold land for future marketing.
- Tests -- In order to determine which of these two alternatives should be pursued, a series of sequential test questions is posed. Each question refers to the particular parcel or project that is of concern to the LPA. The sample shows the first four questions about the alternative, "continue to market land under present or modified reuse." Each question, or test, can be answered by "yes" or "no." The questions are designed to be answered sequentially.
- Findings -- Each test, when being considered by the LPA, should be answered by a finding of "yes" or "no." In most instances, a question can be answered immediately by a person in the LPA knowledgeable as to the specifics of the parcel or the project. In a few cases, though, the LPA will want to undertake careful analysis first in order to arrive at a "yes" or "no" answer.
- Specific Actions -- Once a test has been answered by a finding of "yes" or "no," specific actions are suggested on the Decision Tree. In many instances, the action refers the reader to either the next test in the same Decision Tree or to another chapter in these guidelines.

SAMPLE OF DECISION TREE FORMAT

PROBLEM: INADEQUATE INTEREST IN OFFICE LAND

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
Continue to Market Land Under Present or Modified Reuse	<p>1. Is the current plan for unsold office inventory compatible with development that has already occurred within the project?</p> <p>2. Have the current and projected markets for office land and competitive land prices been reviewed?</p> <p>2A. Does the LPA have current and realistic information regarding the strength and characteristics of the market for office land?</p> <p>2B. Has land pricing been reviewed?</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p>	<p>Apply other tests in this set. Consider plan revisions. See Chapter 13 (on inflexibility of project plan).</p> <p>Apply other tests in this set. Apply Tests 2A and 2B.</p> <p>Apply other tests in this set. Prepare current and realistic market analysis for unsold inventory.</p> <p>Apply other tests in this set. Prepare current and realistic price schedule relying upon land residual appraisal approach. See Chapter 5 ("Overpriced Land").</p>
Prepared By Real Estate Research Corporation and RTKL, Inc.			

In other instances, specific suggestions are made, which may help to correct the basic problems faced by the LPA. For instance, in the example cited, the specific action for Test 1 is either "Apply Other Tests in This Set," which refers the reader to Test 2, or "Consider Plan Revisions. See Chapter 13," which refers the reader to the chapter dealing with inflexibility of the project plan.

The text of each chapter is keyed numerically to the Tests in each Decision Tree. The text provides explanations, commentary, and anecdotes relating to each Test, in order to more fully expand on what is meant by each of the Tests and to provide examples of their application.

To facilitate use, each chapter is designed to stand alone as a self-contained entity, with few references to other chapters in these guidelines. Therefore, there is considerable repetition among the chapters, particularly in specific actions that recur under many parallel situations. Because the guidelines are problem-oriented, each chapter has been designed to provide as complete recommendations as possible about how to deal with its problem. Different Agencies will be looking up different problems, and it is unlikely that many individual readers will encounter a burdensome amount of repetition. Sections that have been read before can be skipped over quickly. Such skipping is easier than frequent reference to text concerning a test in another chapter.

Generally, the structure of each Decision Tree and the text that accompanies it is such that the alternatives posed, and the questions asked about each, represent increasingly greater departures from probable present actions. Thus, a number of the Decision Trees conclude by suggesting such "last resort" actions as interim site uses, land leasing, or land banking.

OVERPRICED LAND

A. Statement of the Problem

A significant problem that has been encountered over and over again in RERC's analysis of urban renewal land disposition is the overpricing of land being made available for redevelopment. This problem may not be encountered in the early stages of execution, but overpricing can develop if market demand for planned uses diminishes because of competition or oversupply or neighborhood deterioration. Although many LPAs find instances of overpricing to be insignificant, the problem was found to be common in most types of projects. This problem stems from the fact that developers are hesitant to undertake construction projects when land prices are not low enough to offset the many risks inherent in the redevelopment of property in urban renewal projects. Many of these risks are outlined in Chapters 6 through 10, which deal with marketing problems of specific reuses (i.e., retail, residential, office, etc.).

The problem of overpricing of land is primarily caused by the following factors:

- The economic feasibility of the reuses indicated in the renewal plan is limited because of changing markets for inner-city land.
- The LPA's need for a specified land price in order to meet the financing requirements of the renewal project.

- The method that the qualified fee appraiser uses in establishing the price for the planned reuses in accordance with the land use plan.
- The need to update the reuse value estimates to take into consideration the impact of redevelopment that is underway, competition and alterations in market demand, and the changing environment in the project and surrounding environs.
- HUD regulations, procedures and documentation necessary to obtain approval of reuse values.

B. Basic Strategy Alternatives

There are three basic methods of dealing with the problem of overpriced land. These may be summarized as follows:

- Lower Reuse Value or Price -- This involves a complete review of the economic feasibility of the proposed reuse, the established disposition price, the market demand for the contemplated use, the size of the disposition parcel, the ways in which an effective lower price can be achieved, and an evaluation of basic marketing methods being utilized.
- Enhance Attractiveness of the Land -- This alternative considers ways in which the site could possibly be made more desirable and marketable for development. Completion of project improvements and public facilities could enhance the attractiveness of the site, and acquisition of abutting parcels or consolidation of adjacent disposition tracts could have a similar effect.
- Do Not Sell -- Under this alternative, consideration is given to interim use of sites, leasing of sites for temporary permanent planned reuses, land banking of disposition sites in anticipation of improved market conditions in the future for the planned reuse, and donation of the land for a use that would be in the public interest and would eliminate carrying costs.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 15 tests is stated as a question that can be answered with a "yes" or "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of overpriced land read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all of the questions, and the problem is placed in better

PROBLEM: OVERPRICED LAND

basic alternatives	tests	findings	specific actions
Lower Reuse Value or Price	1. Will the urban renewal project economics accommodate lower price?	Yes No	Apply other tests in this set. Apply Tests 9 through 11.
	2. Is the approved reuse appraisal value up to date?	Yes No	Apply other tests in this set. Evaluate current market data and/or reappraise (see text).
	3. Is the parcel a remnant that is possibly unsuitable for use except by adjoining users?	Yes No	Apply Test 3A. Apply other tests in this set.
	3A. Is the unit value based on its being a remnant?	Yes No	Apply Test 3B. Reappraise.
	3B. Have adjoining users been contacted?	Yes No	Apply Test 3C. Contact adjoining owners.
	3C. Have price negotiations been discussed?	Yes No	Apply Test 3D. Discuss pricing acceptable to owners.
	3D. Could the property be used acceptably by adjacent land owners?	Yes No	Deed property to abutting owner for token payment. Deed to city for token payment. Determine maintenance requirements and maintain.
	3E. Do maintenance, interest, and administrative costs exceed the reasonable expectation of sales price?	Yes No	Apply Tests 12 through 14. Apply other tests in this set.
	4. Is the reuse appropriate?	Yes No	Apply other tests in this set. See Chapters 6, 7, 8, 9, and 10 (on specific reuse markets).
	5. Is the appraised land price for designated use too high because:		
	5A. This and other renewal parcels are flooding the market?	Yes No	Lower price or apply tests for "do not sell" alternative. Apply Test 5B.
	5B. Competition from nonrenewal land is weakening the market?	Yes No	Lower price to competitive levels or apply tests for "do not sell" alternative. Apply Test 5C.
	5C. The "pioneering" or otherwise high risk nature of the proposed reuse requires a specific financial incentive?	Yes No	Lower price through competitive bidding, leasing, or negotiation. Apply other tests in this set.
	6. Is it possible to achieve an effective lower price on this parcel through averaging with another lower priced parcel?	Yes No	Pair parcels for averaging and apply Test 9. Apply other tests in this set.
	7. Is it possible to achieve an effective lower price by extending the takedown period for a developer contemplating a staged project?	Yes No	Consider this approach but evaluate market prospects for development to prepare a takedown schedule that will not delay later redevelopment. Apply other tests in this set.
	8. Has the parcel been marketed by a fixed price offering only?	Yes No	Try remarketing using negotiation, competitive bid, auction. Apply other tests in this set.

PROBLEM: OVERPRICED LAND

basic alternatives	tests	findings	specific actions
Enhance Attractiveness of Land	9. Would acquisition of abutting parcel(s) increase parcel utility?	Yes No	Attempt to locate buyer and then assist in purchase negotiations with owner of abutting property. Consider independent agency acquisition. Consider plan and budget amendatory. Apply other tests in this set.
	10. Would acceleration of project improvements improve marketability?	Yes No	See Chapter 19 (on timing of project improvements). Apply other tests in this set.
	11. Would acceleration of nearby public facilities (including parking garages) improve marketability?	Yes No	Attempt to expedite creation of public facilities. Apply other tests in this set.
Do Not Sell	12. Are there feasible interim uses?	Yes No	Apply Tests 12A and 12B. Apply other tests in this set.
	12A. Are there interim uses that would produce net income, such as parking lots?	Yes No	Analyze market for interim use(s). Apply Test 12B.
	12B. Are there interim uses that would be supportive to nearby uses, such as pocket parks, playgrounds, or tot lots?	Yes No	Consider such uses. Apply Test 12C.
	12C. Are there other situations in which interim uses would serve the public interest better than continued vacancy?	Yes No	Consider such uses. Apply other tests in this set.
	13. Would leasing for permanent planned reuse:		
	13A. Allow realization of the established price?	Yes No	Lease the parcel. Apply Test 13B.
	13B. Accelerate development, but lower the implicit price?	Yes No	Consider leasing. Consider landbanking parcel.
	14. Is holding the land in a land bank desirable because:		
	14A. The site is designated for a specific future development with a high probability of occurrence at planned date?	Yes No	Hold in land bank and maintain site until scheduled date of use. Apply Test 14B.
	14B. Future market conditions are likely to improve so as to make the sales price more favorable?	Yes No	Hold in land bank and maintain site. Review semi-annually. Apply Test 14C.
	14C. There is an apparent reuse for the site in the foreseeable future?	Yes No	Reconsider earlier tests. Apply other tests in this set.
	15. Could the site be donated to someone who would maintain it in good condition or use it in an acceptable manner?	Yes No	Consider donation, especially if maintenance costs are high. Place land in long-term land bank and maintain in good condition.

perspective when all options are initially reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Overpriced Land." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we have visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as subheadings to clarify the context of the discussion of the tests.

● Lower Reuse Value or Price

1. In many instances, any adjustment of the approved total disposition proceeds for an urban renewal project will create significant problems with the financing plan, particularly regarding the availability of additional cash funds if established prices for disposition sites are reduced significantly. This is especially true if the city government cannot provide additional funds to meet the project's adjusted financing requirements. We found this to be the major reason why LPAs across the country would not reduce established disposition prices. Frequently, such refusal caused significant delays in the disposition and redevelopment process.

It is extremely important for the LPA to explore every alternative if the established reuse value is too high

and is reducing the marketability of sites in the project. Some of the alternatives to consider are as follows:

- Evaluate non-cash credits to see if they can be adjusted to make up the loss in disposition proceeds.
- Evaluate possible ways to achieve an effective lower price through averaging one parcel with an adjacent, higher priced parcel, as further explained under Test 6.
- Update the reuse appraisal to determine whether any of the minimum prices can be increased without reducing the marketability of sites or delaying disposition.
- Determine whether community development block grant funds can be allocated over future years to meet the city's required share of project costs (cash) if they increase as the LPA moves toward close-out of the project.
- Project the maintenance, interest, and administrative costs that will accrue while the land is held prior to sale. Saving these carrying costs could compensate for all or most of the difference in proceeds that would result from lowering the disposition price to make a particular site more marketable.

In one community that RERC studied, more flexibility in negotiations with developers is being realized because no minimum price has been set for parcels being offered. The LPA's experience so far indicates that this practice has had no major effect on project economics. In most cases, the savings to the city achieved by reducing the reuse value of overpriced sites to encourage redevelopment will outweigh the losses incurred.

2. It is extremely important that the established reuse values for disposition parcels be kept current to effectively market the land in the shortest period of time. This is especially true in projects where market demand has decreased for the designated reuses.

To date, it appears that there has not been the kind of catalytic development in or near most urban renewal projects that causes land values to increase significantly. Most of the demand for urban development has been on the suburban fringes where land is relatively

cheaper and more abundant. Given this perspective, it is imperative that LPAs closely monitor their land prices so that feasible large- and small-scale projects will not be curtailed because of excessive reuse appraisal values. If demand increases and redevelopers begin to compete for sites, an updated reuse appraisal would reflect the higher obtainable value.

In case after case, we found that an updating and subsequent reduction of reuse values for specific problem sites were justified by increased competition from non-urban renewal land. Often the primary competition was from suburban areas where land is cheaper and there are fewer development problems than in central cities. The revalued sites in renewal projects were generally marketed in a timely fashion after price adjustment. In one specific example, the LPA wanted to lower the price of a large residential site, and HUD initially refused. Finally, the price was lowered to below the competitive going price for residential land and the tract was then sold and redeveloped. In another case, the residential redeveloper said, "The lower price was the real incentive for me to go ahead." In some instances, however, a reduction in the price of a parcel does not provide enough incentive to developers to market the land. In such cases, additional concessions must be made by the LPA and/or city to interest a developer in the parcel (e.g., a favorable take-down schedule, construction or operation of parking facilities, reduction of development restrictions, etc.).

Although the qualified fee appraiser considers all three basic approaches to value in an update of a reuse appraisal, the usual appraisal method used to determine the value of renewal land is the "Market Data" or "Comparison Approach" to value. This method uses sales of comparable sites as the basis for estimating the market value of disposition parcels for planned reuses. We found that the problem of overpriced project sites was often directly correlated to use of this common method of appraising property.

The final value estimate for sites with diminishing market demand is usually affected by unmeasurable variables and inherent appraiser subjectivity because of the numerous adjustments required to account for locational characteristics of comparable sales, variations in size, development restrictions imposed on urban renewal sites, and other differences that result in a less than objective determination of value. In addition, at the time a reuse appraisal is being made, the

qualified fee appraiser makes a value judgment based on a plan that is usually general in nature (e.g., the plan might call for a commercial reuse rather than a specific type of neighborhood retail development). Without a precise development proposal to analyze, it is very difficult for an appraiser to specify a single value conclusion. The appraiser should, however, be able to estimate a range of values for a given site by analyzing the minimum and optimum potential developments that would be in accordance with both the plan and the local zoning ordinance. If a value range were established, an LPA would have more flexibility in marketing its properties.

Once specific development proposals are received and evaluated by an LPA or its consultant and once recommendations are made, the appraiser should submit an updated appraisal that derives a specific value based on the particular development plan being proposed. In addition to the market data or comparison approach, the appraiser would then be able to apply a development analysis or a land residual approach. The major benefits of a land residual approach are that it minimizes the possibility of pricing the land at a prohibitively high level, and it leads to a land value that reflects a specific development proposal. An updated reuse appraisal performed in this manner would markedly reduce the subjectivity inherent in land values derived under existing procedures.

To illustrate the use of the land residual approach we have constructed a hypothetical example wherein a department store site in a CBD core project has been determined to be overpriced for the proposed reuse. The appraiser employed the standard market data approach to arrive at the upset reuse value. Since there were no recent comparable land sales for retail development located in proximity to the site, the comparable sales were based on recent office developments located near the site and department store development that had taken place in outlying suburban areas. After numerous adjustments were made to reflect various differences among the sites, the value was set at \$20 per square foot.

When the prime potential developer examined the cost of land in relation to his proposed facilities, however, he determined that the projected income -- given his costs of development, the operating expenses, and the profit to the entrepreneur -- dictated a lower land cost to make the construction of the department store feasible. The LPA therefore asked the appraiser to

update and reevaluate the previously established land price. Being able at that point to take into consideration a specific planned development, the appraiser was able to look at the development in terms of timing, marketing, size of the building, costs of construction, expenses, financing, income that would be generated from leasing, and a developer's profit. Along with this more specific analysis, the appraiser was able to apply the land residual approach and qualify a lower land value based upon the net income that could be generated.

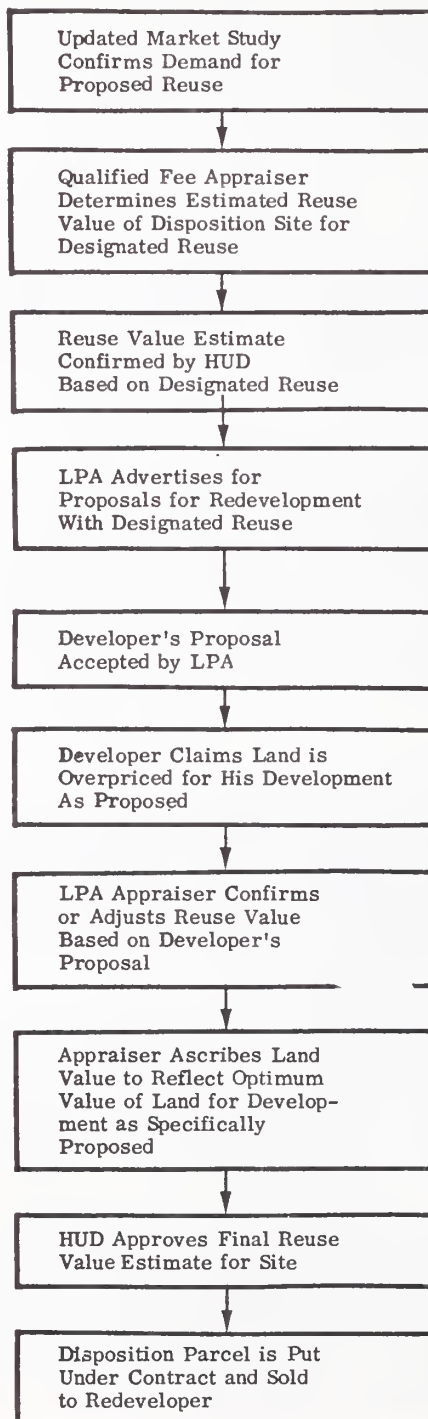
Although the above example is hypothetical, RERC found many examples of situations where the incentive of lower land prices in conjunction with specific development proposals helped an LPA to sell a disposition parcel, especially where there was a decreasing market demand for the site. The process RERC suggests for revising land prices is diagrammed on the following page.

3. The difficulty of marketing remnant parcels that have failed to attract potential buyers is a major problem that faces most LPAs. Most often, remnants are the result of forced acquisition for highways and other public improvements. As discussed in more detail in Chapter 14 ("Small or Poorly Configured Parcels"), the size and shape of remnants are frequently undesirable and are useable only for adjoining property owners. Because these factors are not necessarily recognized fully, the parcels are often overpriced.

A reassessment of the established reuse values may be needed, aimed toward attempted sale of the sites to adjoining property owners. A negotiated sales price with adjoining owners to encourage them to buy remnants for their immediate or future use could remove a considerable amount of marginal land that remains to be sold in numerous projects.

Although LPAs might experience difficulties in reappraising remnant parcels to reduce their reuse values, the fact that the carrying costs, (i.e., maintenance, interest, and administrative charges) would be eliminated would probably satisfy HUD and justify the sale of remnant parcels at lower prices. Other offering methods that can be considered to dispose of remnant parcels include competitive bids, auction, purchase by the city, and sale through negotiation to adjoining property owners over a long-term basis with low monthly or annual payments. For more information about the possible methods of disposition see Chapter 3 and the following five chapters dealing with inappropriate land use.

STEP-BY-STEP PROCESS FOR APPROPRIATELY ADJUSTING
HIGH LAND PRICES



Prepared By:

REAL ESTATE RESEARCH CORPORATION

If it is determined that remnant parcels have no alternate reuse and are not freely marketable, they could be deeded to adjoining property owners who will accept ownership for token payments and will agree to maintain the parcels. Elimination of the maintenance cost to the LPA and/or city would no doubt justify this approach. We found that LPAs have had some problem in obtaining HUD concurrence for the above procedure.

If it is determined that there is a possible alternate reuse for remnants and that they would be marketable in the future through assemblage or some other action, consideration should be given to interim use of the parcel, preferably under a short-term lease at a price that would cover all or part of the carrying costs.

4. In many instances, the marketing and promotional efforts of LPAs for the disposition sites available in a project are based on outdated market conclusions that were determined during the survey and planning period. If the land were to be designated for an up-to-date, appropriate reuse, the time required for disposition could be reduced. If there is inadequate developer interest in a project's land, the present and future markets should be reanalyzed and then changes should be made in the plan. These actions are discussed in more detail in the following five chapters concerning marketing problems for planned reuses.
- 5A. If there is a lack of interest for specific reuses, it is possible that the market has been flooded with land for a certain use. In some instances, we found, for example, that lowering of reuse values offered a strong incentive for potential redevelopers because the lower prices made renewal sites more competitive with suburban locations and offset some of the additional risks a developer assumes in working in a renewal area. If lack of interest still exists but a parcel is in a prime location, consideration should be given to encouraging an interim use or land banking the property until market conditions are more favorable. If this is the case, Tests 12 through 15 should be applied.
- 5B. If large amounts of cheaper land are available at comparable or better locations in the metropolitan area, the LPA should consider lowering prices to be more competitive and to increase the likelihood of attracting a redeveloper. Otherwise, if land is competitively overpriced but the LPA believes the situation is temporary, Tests 12 through 15 under the "Do Not Sell" alternative should be applied.

- 5C. Special incentives are usually necessary to attract a developer for a proposed reuse that would run counter to national or local market related factors or trends. An example would be a major multi-use project, including high-rise apartments, condominiums, office space, and retail facilities, in the core area of a city. Another example would be the first major development in almost any urban renewal project. An important incentive to encourage such development is a lower reuse price, which could be achieved through negotiation, competitive bidding, or leasing of the land to the re-developer at an escalating rate with low payments in the early years. For more details about the positive and negative aspects of various disposition methods, see Chapter 3.

There are many examples of LPAs providing special incentives to initial redevelopers. The City of Louisville, Kentucky, had difficulty attracting development to its CBD Riverfront project for several years. Finally, the city floated a bond issue and built a parking garage and plaza on the riverfront. Then the LPA was able to negotiate a lease of air rights over a portion of the plaza at reasonable terms to a hotel developer. In this instance, the city's creation of extensive public facilities to increase the attractiveness of the riverfront was a major incentive in attracting other potential developers to sites in the project area. In addition, the LPA was willing to offer financial incentives to potential redevelopers.

6. If marketing efforts have been unsuccessful because the price of land is considered too high, the LPA should evaluate the possibilities of marketing one parcel in combination with an adjoining parcel of lower value to effectively lower the price. This method cannot be used widely, but it has proven feasible in conjunction with some LPAs' marketing efforts of smaller tracts.
7. For large tracts that will be developed over time, an LPA can sell the land for the established reuse price, but allow partial payment and takedown of land as the development proceeds through a negotiated purchase-option agreement. This reduces the developer's initial cash outlay. If the land was valued at \$600,000, for example, and the agreement stipulated a takedown at four intervals over a two-year development period, the developer's payment schedule could be in installments of \$200,000/\$100,000/\$150,000/\$150,000 instead of the entire price being paid at the beginning of development. This approach provides flexibility and can be a strong incentive to attract developers.

8. The use of competitive bidding and negotiation instead of offering a parcel at an established or fixed reuse price can create more interest and possibly speed up redevelopment. This assumes, however, that a market exists for the planned reuse as stipulated by the LPA. Agencies frequently adopt one overall method of offering land and then stick to it rigidly for disposition of all parcels. We have found that particular land offering methods are better suited than others for some reuses and some situations. For more discussion of the methods of offering land for sale, please see Chapter 3.

- Enhance Attractiveness of Land

9. If marketing efforts have not been fruitful, particularly with smaller parcels, the LPA should evaluate the feasibility of acquiring adjacent tracts of land to enlarge the parcels that are presently vacant. This should be considered if an adjacent owner is not going to perform needed rehabilitation of his facilities or if the joining of two parcels would make the original site more marketable. A higher price might be obtainable for the larger parcel because of increased utility and possible higher intensity of the reuse. Assuming the availability of a potential buyer, the LPA could assist in negotiations to purchase the adjacent property or the LPA could acquire the property outright. This approach is limited by the flexibility of the land use plan and the LPA's budgetary requirements and/or restrictions.
10. The appearance of the area immediately surrounding available sites is an extremely important factor in land marketing. All vacant sites should be maintained in a neat and orderly manner, (i.e., graded, grass cut, trash removed, etc.). We found that the timing of project improvement construction has correlated with marketing success in many cities. A buyer today is cautious and moves slowly if he cannot physically see the way the renewed area will look around the site under consideration. Thus, it is important for the LPA to have completed sidewalks, streets, alleys, etc. before land is intensively marketed (see Chapter 19, "Timing of Project Improvement Construction").
11. We have found in many instances that the marketability of sites improves when the city moves ahead with major public facilities. Conversely, disposition often lags when public facilities are delayed. This is particularly true for extensive public facilities such as were described in the example in Test 6. Completed new pub-

lic facilities provide a developer with evidence that the city is committed to changing the environment of the project area. Such construction also improves the confidence of residents and businesses staying in the area and may encourage reinvestment in existing facilities. For more details on the timing of public facility construction, see Chapter 16.

● Do Not Sell

12. If the LPA's extensive marketing efforts are unsuccessful and/or the market for reuses is limited, interim uses should be considered that could produce income to defray carrying costs and would be supportive of the redevelopment program and surrounding environs. We have found that such interim uses as parking lots, pocket parks, and just wall and street graphics serve the public interest and improve the appearance of a project area. An excellent example of interim use occurred in the Evansville, Indiana, CBD project where wall graphics and a pocket park helped the program at a time when problems were causing undue delays.
13. Leasing of disposition parcels instead of selling the land to the developer is another way of accelerating development. As discussed in Tests 3, 5C, and 6, the LPA could actually realize the established reuse value and provide an incentive for both rapid initiation and completion of development by leasing project land. For additional discussion of this land offering approach, please refer to Chapter 3.
14. The LPA should consider land banking as one means of closing out a project. This will also reduce marketing expenditures if a site is being held for future development and there is a good probability of that redevelopment occurring within five years. Before this action is taken, however, all other tests in this chapter should be considered carefully.
15. The donation of land, especially large, well-located parcels, should be a "last resort" approach for an LPA. The one exception would be if carrying costs were prohibitively high and if the period before development could be expected to occur were determined to be indefinite. Before donating land, the LPA should reconsider Test 12 to try to identify a feasible interim use that would cover all or a portion of the carrying costs.

6

INADEQUATE INTEREST IN RESIDENTIAL LAND

A. Statement of the Problem

One of the key general problems encountered in urban renewal land disposition is private developer lack of interest in the cleared and improved sites. Once projects are ready for marketing, disposition just has not occurred as rapidly as most LPAs have expected. Developers have been hesitant about undertaking projects on renewal land for many reasons, including the following:

- Because the city is declining and there is little replacement demand for space.
- Because new construction has traditionally occurred in the suburbs and the urban renewal areas are unfamiliar "turf" for developers.
- Because the local market has been temporarily overbuilt.
- Because builders are unwilling to take the added risks of pioneering in urban renewal areas, especially with the attendant restrictions and red tape.
- Because the land prices are not low enough to offset development risks.
- Because only a limited number of developers have the experience and financial capability to undertake some of the planned large projects, and the LPAs have not contacted them, or have not approached them persuasively enough.

- Because the LPA is not adept in dealing with private developers.
- Because some of the planned projects are out of scale for their local market.

In addressing these and other marketing problems, we have focused on separate land uses in five different chapters. This chapter concerns residential land. Other chapters deal with retail, industrial, office, and hotel-motel land. Though there is considerable repetition among the five chapters concerned with urban renewal reuse market resistance, large sections of each chapter are devoted specifically to one reuse. With the text on this general subject divided into five chapters, readers can concentrate on their problems with one particular reuse without being distracted by questions and answers relating to other uses. Persons who have problems in marketing properties of several types can easily skip over repetitive material in the various chapters they are using.

B. Basic Strategy Alternatives

There are two basic alternative ways of trying to deal with the problem of inadequate interest in residential land. These may be summarized as follows:

- Continue to Market Land Under Present or Modified Reuse -- This involves intensifying and/or redirecting the marketing program to take full account of local market conditions, the potential for the site, the needs and realistic demands of a residential developer, and possible tradeoffs or assistance that the LPA could offer a potential developer.
- Hold Land for Future Marketing -- This alternative involves consideration of interim uses, leasing of sites for temporary use, land banking the property in anticipation of improvement in market conditions, and the "last resort" of donating the site to eliminate LPA maintenance costs.

Tests to determine which of these two alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 17 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of inadequate interest in residential land read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed.

PROBLEM: INADEQUATE INTEREST IN RESIDENTIAL LAND

basic alternatives	tests	findings	specific actions
Continue to Market Land Under Present or Modified Reuse	<p>1. Are the following plan-related problems inhibiting marketability of residential land?</p> <p>1A. Is the current plan for the unsold inventory compatible with development that has already occurred within the project?</p> <p>1B. Do density requirements and/or development controls appear to be inhibiting disposition of residential parcels?</p> <p>2. Have the current and projected markets for residential land and competitive land prices been reviewed?</p> <p>2A. Does the LPA have current and realistic information regarding the strength and characteristics of the market for residential land?</p> <p>2B. Has land pricing been reviewed?</p> <p>3. Have the following actions been taken to put lots in a good and marketable condition?</p> <p>3A. Is all trash regularly removed?</p> <p>3B. Have all structures scheduled for removal been demolished?</p> <p>3C. Are sidewalks, curbs, and on-site utilities in good condition?</p> <p>3D. Is regular surface maintenance of sites provided?</p> <p>4. Have neighborhood public improvements been made (e.g., street widening and paving, curbs, gutters, street lighting, storm and sanitary sewers)?</p> <p>5. Are promotional efforts appropriate for the size and scale of the intended development?</p> <p>6. Does the LPA have land designated for low- and moderate-income housing that would require subsidy financing?</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p>	<p>Apply other tests in this set. Consider plan revisions. See Chapter 13, "Inflexibility of Project Plan."</p> <p>Consider retaining restrictions/controls and lower price. See Chapter 5 ("Overpriced Land"). Consider retaining price and reducing development restrictions/controls. See Chapter 13, "Inflexibility of Project Plan." Apply other tests in this set.</p> <p>Apply other tests in this set. Apply Tests 2A and 2B.</p> <p>Apply other tests in this set. Prepare a current and realistic market analysis for unsold inventory.</p> <p>Apply other tests in this set. Prepare a current and realistic price schedule relying upon land residual appraisal approach. See Chapter 5 ("Overpriced Land").</p> <p>Apply Test 3B. Arrange for regular trash removal.</p> <p>Apply Test 3C. Contract for demolition.</p> <p>Apply Test 3D. Contract for repairs.</p> <p>Apply other tests in this set. Arrange for grass cutting, etc.</p> <p>Apply other tests in this set. Make improvements. Consider a staged program of physical improvements when the designated area is extremely large.</p> <p>Apply other tests in this set. Prepare polished promotional materials; encourage existing redevelopers to participate in promotion. See Chapter 24.</p> <p>If subsidy allocations were made to the project, make a concerted effort to obtain release of funds. Re-evaluate reuse plan to identify parcels with clear potential for higher reuses. Apply Tests 15 through 17. Apply other tests in this set.</p>

PROBLEM: INADEQUATE INTEREST IN RESIDENTIAL LAND

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
	7. Does the LPA have a large number of scattered single-family residential lots?	Yes No	See Chapter 11 ("Scattered Residential Lots") Apply other tests in this set.
	8. Has maximum effort been made to provide good public services to the area (public transportation, street repair and cleaning, trash removal, public safety, street lighting)?	Yes No	Apply other tests in this set. Attempt to have as many such services performed as possible.
	9. Are rehabilitation efforts being focused on neighborhoods where vacant lots are being marketed?	Yes No	Apply other tests in this set. Consider emphasizing rehabilitation of surrounding properties to enhance marketability of vacant parcels.
	10. Has the LPA experienced difficulty in marketing land designated for high-rise market rate residential development? 10A. Has there been successful high-rise development in the city?	Yes No	Apply Test 10A. Apply other tests in this set.
	10B. Has the parcel been marketed aggressively?	Yes No	Apply Test 10B. Reduce density requirements for the site and lower the price accordingly.
	10C. Has the parcel been marketed for both rental and ownership housing?	Yes No	Consider reducing density. Discuss with experienced local developers the problems of the offering. Increase marketing effort and apply Test 10C.
	11. Have apparently feasible higher densities been opposed by local residents to such a degree that development is stalemated?	Yes No	Consider reducing density or changing reuse. Evaluate market potential for high-rise condominium development.
	12. Has the LPA carefully selected the method of offering residential sites?	Yes No	Consider promoting multi-family ownership construction. Attempt to sell parcels to abutting owners. Apply Tests 15 through 17. Apply other tests in this set.
	13. Are negotiations being conducted effectively?	Yes No	Apply other tests in this set. In light of characteristics of parcels and the type of development being sought, evaluate alternate methods of offering as presented in Chapter 3.
	13A. Are negotiations being conducted by staff members knowledgeable about financial and market elements of residential development?	Yes No	Apply other tests in this set. Apply Tests 13A and 13B.
	13B. Are key public and private leaders being asked to participate in negotiations with potential developers of major parcels?	Yes No	Apply Test 13B. See Chapter 18 ("Insufficient Disposition Staff Capabilities"); apply Test 13B.
	14. Are there adverse conditions beyond the LPA's control? 14A. That are delaying project marketing? (See text)	Yes No	Apply other tests in this set. Encourage participation but coordinate efforts to assure presentation of a "united front" to potential developers. Apply Test 14B. Apply other tests in this set.

PROBLEM: INADEQUATE INTEREST IN RESIDENTIAL LAND

basic alternatives	tests	findings	specific actions
	14B. That are temporary and correctable? (See text)	Yes No	Perform as much preliminary marketing as possible until conditions change. Apply other tests in this set.
Hold Land for Future Marketing	15. Are there feasible interim uses? 15A. Are there interim uses that would produce net income, such as parking lots? 15B. Are there interim uses that would be supportive to uses in residential neighborhoods, such as pocket parks, "victory" gardens, playgrounds, or tot lots? 15C. Are there other situations in which interim uses would serve the public interest better than continued vacancy?	Yes No Yes No Yes No	Apply Tests 15A and 15B. Apply other tests in this set. Analyze market for interim use(s). Apply Test 15B. Consider such uses. Apply Test 15C.
	16. Is holding land in a land bank desirable because: 16A. The site is considered for a specific future development with a high probability of occurrence at a planned date? 16B. Future market conditions are likely to improve so as to make the sales price and the intensity of redevelopment more favorable? 16C. There is an apparent reuse for the site in the foreseeable future?	Yes No Yes No Yes No	Hold in land bank and maintain site until scheduled date of use. Apply Test 16B. Hold in land bank and maintain site; review semi-annually. Apply Test 16C. Reconsider earlier tests. Apply other tests in this set.
	17. Could sites be donated to someone who would maintain them in good condition or use them in an acceptable manner?	Yes No	Consider donation, especially if maintenance costs are high. Place in a long-term land bank and maintain in good condition.
Prepared by Real	Estate Research Corporation and RTKL, Inc.		

Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Inadequate Interest in Residential Land." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the two alternatives are included as sub-headings to clarify the context of the discussion of the tests. It should be noted that the problems involved with marketing scattered residential lots are treated in Chapter 11. When we speak of residential reuse in this chapter, we are referring to any type of housing that might be constructed in an urban renewal project area. This includes all types of public housing, all forms of subsidized and FHA insured housing, and private market rate housing. It includes single-family homes and both low-rise and high-rise multi-family units. Rental, sale, and condominium units are included. We have differentiated among these different forms where we believe such clarification is necessary.

● Continue to Market Land Under Present or Modified Reuse

1A. If land planned for residential use is attracting little interest among potential developers, various aspects of the project's planning should be re-examined. When residential reuse parcels have remained unsold over several

years' time, other portions of the project area, or surrounding land uses, may have undergone considerable change. Sometimes these changes had been foreseen in the original land use plan. But often the actual redevelopment that has taken place varies significantly from earlier expectations in terms of type or character of the reuse. For example, in one city we found that certain parcels were designated for private market high-rise residential development, despite the fact that adjacent parcels had been altered from their originally planned reuse and had been developed with low-income and moderate-income subsidized housing. In another city, several parcels originally designated for residential reuse were, in our opinion, appropriately changed to commercial or institutional use in order to accommodate a large community college campus. Thus, the unsold inventory of residential land should be re-evaluated in light of completed or firmly committed developments and changes that have occurred within and surrounding the residential reuse area. Conducting an effective marketing program for unsold sites usually requires a specific concept of the types of users who should be interested in locating there.

Re-evaluating unsold parcels in terms of recently established surrounding uses may reveal the need for basic changes in the urban renewal plan. The pitfalls of an inflexible plan are discussed at length in Chapter 13.

- 6
- 1B. Whether or not an experienced residential developer can make a reasonable profit on a single-family or multi-family venture often depends on the number of units that he is allowed to build on the site. By planning a moderate density for low- and moderate-income multi-family units, or a generous lot size for single-family units, the LPA makes certain that parking and open-space on the site will be sufficient. By specifying floor area ratios, setback requirements, parking requirements, and acceptable materials, the LPA attempts to set development standards that will produce a favorable residential environment. The problem is that a responsible developer may not be able to make a reasonable profit if he operates under the development restrictions. In that case, the land lies vacant and no new homes or apartments are built.

If the LPA has had difficulty in disposing of residential sites (for reasons other than the federal moratorium on subsidized housing), consideration should be given to one of two possible alternatives: lowering the price of the land to make the development feasible

for a responsible developer, or reducing the restrictions on density and/or other development standards. The "middle-road" is difficult to attain. In our studies, we have seen land continue to lie vacant because standards were too restrictive, but we have also seen relatively new subsidized housing developments that suggest that the project area will be little better ten years from now that it was a decade ago. The latter can hardly be called renewal.

In Test 13A, we will show how sensitive a developer's profit margin can be in relation to density and material requirements, interest rates, and several other variables.

- 2A. Prior to the approval of Loan and Grant - Part II, a marketability study and reuse appraisals were completed for each project and submitted to HUD. At that time the planned reuses had been declared marketable, and an estimated rate of land absorption was normally included. Nevertheless, if sizeable portions of land designated for residential reuse have remained unsold over a period of years, the original market study has probably become outdated. Perhaps it was not realistic from the beginning. In some cases, the obvious reason for failure to market the land has been unavailability of subsidized housing programs that would make new construction for low- and moderate-income households feasible. In other cases we have encountered, however, market demand should be re-examined (i.e., regarding proposed high-rise luxury units).

We have found that, for various reasons, many LPAs placed little stock in the conclusions and recommendations of the original market analysis. We believe such market analysis is important, and when the land has remained unsold over several years' time, the LPA should carefully review the original market study to see whether developments and trends that have taken place in the interim may have radically changed the marketability of certain reuses in the project area. The question of the marketability of various uses on a particular site is so basic that promotion, marketing efforts, and public improvements can be wasted if the market simply is not there and cannot reasonably be expected to appear in the future.

If, after its review of the earlier market study, the LPA suspects a pronounced absence of current and future marketability for the proposed residential reuse, we recommend that reliable and up-to-date market information should be developed and analyzed by an appropriate

professional person or firm. Such a re-evaluation should include recommendations for an alternate, more marketable reuse if the originally designated reuse is found to be unmarketable. A study of this type should also provide a probable rate of absorption regarding unsold land in light of current and expected developments and trends. This can serve to guide the LPA's expectations for the rate of disposition. The Agency must realize however, that the actual rate of absorption will depend significantly on the quality of its marketing effort.

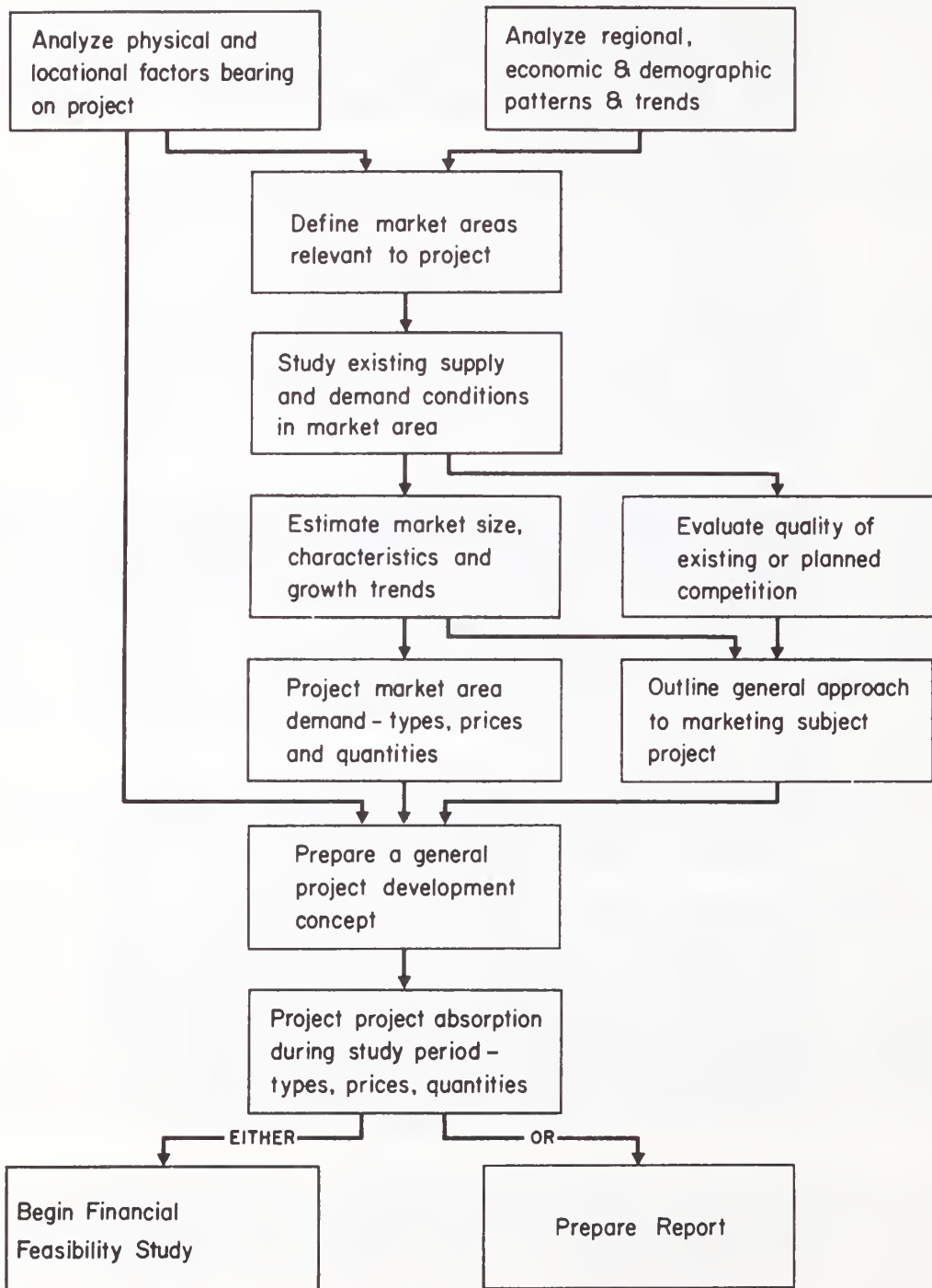
Even when the market for residential land is relatively strong and the price of the land is competitive, determination of the type and intensity of development that will be financially feasible on a given site requires further technical consideration. Thus, it will often be wise for the LPA to request a feasibility component within the market study to indicate the scale and character of development that the LPA can realistically seek and the price that a typical developer could afford to pay.

It is important to note here that the LPA should not apply pressure upon the market analyst to recommend a high type of reuse just because such a reuse fits ideally into the project plan and will generate higher revenue. If the market conclusions are virtually dictated by the LPA rather than by the data, method, and objective judgment of the analyst, a decade can easily be lost in attempting to dispose of the land according to a favorable but financially unrealistic redevelopment scheme.

The chart on the following page indicates the components of a typical market study. The feasibility component is described in Test 13 of this chapter.

- 2B. As mentioned in Test 1B, the question of land pricing can be critical regarding residential sites. The fundamental problem of overpriced land is discussed in detail in Chapter 5, and the advantages to be gained in reappraising the unsold land with a land residual appraisal approach are presented there. The significance of the price of land in rendering residential development economically feasible will be illustrated in Test 13 of this chapter.
3. It is the LPA's responsibility to see that the stage is set for showing available residential tracts to their best advantage. If the site or the overall project area has a negative appearance or if the basic functional

ORGANIZATION OF WORK ELEMENTS: MARKET ANALYSIS



Prepared By: REAL ESTATE RESEARCH CORPORATION

improvements have not yet been made, potential residential developers may be repelled without the LPA ever knowing that they were interested.

In one of the test case cities we studied, several local leaders described the frustration of showing their riverfront renewal area to national developers while the extensive physical improvements were still underway in the project area. With a railroad line to be relocated, a highway under construction, a massive electrical substation being modified, and a flood-wall under construction, the project area presented an enormously negative impression to prospective developers, and for years no outside developer would commit himself to the project. Although this example involves an unavoidable temporary condition, it serves to illustrate the strength of the negative reactions that prospective developers may have regarding an unsightly project area.

In order to enhance the marketability of it's residential sites, the LPA should be certain that the following actions are performed:

- Trash should be removed regularly.
- Buildings that are to be removed should be demolished.
- Sidewalks, curbs, and on-site utilities should be in good condition.
- Sites should be graded and planted with grass, spread with wood chips, or otherwise surfaced in a neat and orderly manner.
- Regular maintenance should be provided to keep weeds under control.

This benefits the surrounding area and enhances the marketability of the specific disposition sites.

4. For many reasons, the implementation of public improvements is of fundamental significance in preparing the way for effective marketing of land. This is of particular importance for residential land. The visual and functional qualities of the site and the surrounding area are of major concern to a potential residential developer. If basic project improvements (new and improved streets, street lighting, storm and sanitary sewers) have already been completed or at least are well underway, a prospective developer is assured

that his project will not be delayed or inhibited by the failure to implement public improvements. Plans and promises are not very effective when an LPA is trying to encourage major investments.

Regarding major high-rise luxury apartment developments, it is common for the city to have planned a major public facility that is calculated to enhance the project area and to act as a catalyst for securing high-quality surrounding development. We must emphasize that such facilities should be completed or well underway before the LPA can hope to engage in aggressive marketing of prime sites. Particularly when the LPA is attempting to interest a major national developer, the psychological and visual impact of a city that has accomplished what it set out to do can be the LPA's strongest marketing tool. Conversely, a city's failure to accomplish promised investments in its urban renewal areas constitutes a poor context for marketing high-cost residential land in the downtown area.

We found evidence of the extremely positive effect of public improvements on large tracts for single-family and/or multi-family development in one project for subsidized housing in a semi-rural area that had once been the city's worst slum. In the center of the new residential community is a beautifully designed public park and recreation area, which is comparable to the types of amenities that semi-luxury apartment complexes offer. The design quality of the park and its timely implementation, along with other public improvements, aided the LPA in attracting a national developer for the entire project and has subsequently aided the developer in attracting residents to what was formerly a stigmatized area on the periphery of the city.

5. We have found that renewal agencies throughout the nation vary widely in their use of promotional materials and approaches. The importance of good promotional materials and use of a variety of marketing techniques and approaches are discussed in Chapter 3.

Regarding promotion of available residential land, we believe that an attractive and informative brochure to advertise available land will pay for itself in terms of accelerating disposition. Effective promotional material need not be expensive but should be adapted to the character of the planned reuse of the area. In some instances, the LPA is attempting to attract a single major developer to build several hundred units on a site. If such is the case, promotional materials should be of high quality and widely circulated by mail.

We have seen such promotional materials used very effectively to announce a design competition for subsidized or FHA-insured housing.

In the case of large tracts for low-rise housing, local residential redevelopers should be asked to help in promoting the site, even if they do not wish to develop the site themselves. We have found that a major developer who has participated in development of subsidized housing on urban renewal land, without negative reactions toward "governmental red tape," can be extremely effective in allaying the fears of other builders. When enlisting the aid of local redevelopers in promotion, care must be taken not to give individuals the idea that their own proposal would unquestionably be accepted if they bid, unless this is in fact the LPA's intention. We have seen considerable animosity arise on the local scene when an outside developer was chosen in a design competition.

Regarding the promotion of land for high-rise luxury apartments in the CBD, it is advisable to enlist the aid of local civic leaders and organizations whose function includes publicizing the city nationally. In many cities there are a number of promotional groups with differing emphases and varying levels of promotional activity. In Louisville, Kentucky, for example, we found three civic organizations that engaged effectively in promoting the city regionally and/or nationally. It is important for the LPA in any city to be familiar with such organizations and to maintain contact with their officials.

"For sale" signs should be placed on available office sites and moved periodically to different portions of the site. When sites are located in the CBD or on thoroughfares, large numbers of local and out-of-town people can be expected to see the signs.

6. Time and time again during our study of urban renewal programs and projects, we came upon project areas that had appropriately been planned for moderate-income residential reuse but had failed to receive final subsidy commitments from HUD prior to the moratorium. In almost all of the cases, it was our judgment that the land was indeed marketable for subsidized housing but was not marketable for housing at market interest rates. Even where a higher use than subsidized housing appeared to be marketable, such use would usually have been less suitable for the project area.

We recommend that LPAs either make concerted efforts to

obtain the release of subsidized housing funds that were in some measure committed to them under old programs, or quickly gain technical mastery of the manner of obtaining funds under new forms of legislation. We strongly emphasize that the LPA should marshal whatever support is possible to give priority to subsidized housing in urban renewal areas. Possible state and local funding sources should also be pursued aggressively.

Regarding some project areas or portions thereof, there may be a higher suitable use for residential land than had been planned for new low- and moderate-income construction. If, after its review of the project area, the LPA concludes that it would be wise to encourage the other use, the plan should be changed as quickly as possible. It is usually advisable to obtain the opinion of a market analyst before making such a change. For those projects in which subsidized housing remains the primary desirable use, the holding of land as described in Tests 15 and 16 in this chapter may provide the only short-term solution.

7. The problem of disposing of scattered single-family sites is widespread among LPAs and is difficult to solve. We have therefore devoted a separate chapter to this problem (Chapter 11, "Scattered Residential Lots").
8. When cleared parcels for residential redevelopment are located in a project area where older homes scheduled for rehabilitation will be allowed to remain, or when older inner-city areas are adjacent to the project area, the LPA must be certain that the provision of public services that may formerly have been allowed to decline in the neighborhood are once again furnished effectively.

In addition to street and utility improvements, the quality and quantity of public services available to a neighborhood are critical in interesting potential residential developers in renewal land. Such services include public transportation, police and fire protection, trash removal, street repair and cleaning, street lighting, and such community facilities as schools, health centers, and day care centers. The more such services and facilities that are available at the time parcels are marketed, the better the prospects for sales.

Provision of many public services and creation of public facilities are beyond the direct control of LPAs. However, pressure can often be applied upon other local government agencies to improve services to an area and to coordinate capital improvements expenditures with urban renewal planning. It is also possible for the LPA to work with local residents to create self-help programs to improve neighborhood services.

9. A key factor in enhancing the marketability of residential parcels in an urban renewal project is accomplishment of needed rehabilitation. If neighboring properties have been rehabilitated, the evidence of investment commitment to the area will serve to increase the confidence of potential developers. Thus, it is important to stage rehabilitation efforts simultaneously with construction of public improvements and facilities and with intensive marketing of major disposition parcels.
- 10A. Across the nation, numerous LPAs have designated sites in their prime urban renewal projects (usually CBD or waterfront) for luxury or semi-luxury high-rise apartments. In recent years, high-rise condominiums have also been proposed. The logic behind introducing this use into a reviving downtown area is irrefutable from a planning point of view. But market realities have not always supported this logic. In a few cities, such apartments have been eminently successful; but in more cases, LPAs have experienced great problems in marketing these sites and often in generating local market support for the facilities if they are constructed. In many cases, the LPA has been the first organization in the city to attempt to market land for high-rise luxury units in the downtown area, but our studies lead us to suggest that it is generally better that the LPA not attempt to "pioneer" in this manner on downtown urban renewal sites. The risk of "wishful thinking" is especially great in planning an extensive luxury residential area downtown when the market has not previously been tested, even if the buildings will overlook a spectacular public facility or a beautiful river. There are fewer San Franciscos than an LPA might like to think. If urban renewal can revive a portion of the downtown area with new office towers, hotels, and improved commercial establishments, it has at least set the stage for high-rise residential living if there is, or will be, a demand in the vicinity.
- 10B. Despite our general caution in Test 10A above, there are appropriate urban renewal sites for high-rise market

rate apartments in many cities. If it is certain that there is a market for downtown apartments, the LPA should engage in aggressive marketing of its own sites.

If such marketing has already been underway for two or three years, the LPA should confer with experienced local developers to discover their perceptions of the problems with the LPA's offering. The Agency might consider reducing the required density, the price of land, and/or other development controls. The effects of such changes upon a developer's profit are demonstrated in Test 13 of this chapter.

If the LPA's marketing efforts thus far have been rather passive, we suggest the following:

- Contact should be made with major local developers and with national developers who have successfully engaged in high-rise apartment development in other cities. Even if national developers indicated no interest when they were contacted shortly after project execution began, the LPA should make subsequent contacts periodically to describe major developments that have taken place in the renewal area and offer stronger support for market rate residential reuse.
- Serious efforts should be made to involve real estate brokers who have specialized in land sales for high-rise apartment use to aid in marketing the land. Ordinarily, such efforts will have to go well beyond the "general mail-out" approach and will involve personal contact with brokers at least by telephone. Well-prepared promotional materials can aid the broker, and the ready availability of further descriptive and explanatory material from the LPA will help in encouraging broker involvement. The lack of such serious efforts to secure the professional assistance of brokers will almost inevitably result in minimal broker participation in the sales of urban renewal land. Such has been the case in almost every city to date.
- The LPA should establish a working relationship with local leaders and organizations that promote economic growth for the area. Their experience and contacts at the regional and national level may prove to be of importance in convincing major developers to consider building on urban renewal land in the downtown area.

10C. The LPA might consider promoting the sites for high-rise condominium rather than rental apartment reuse. It may be wise to have a market consultant analyze the significance and advisability of this variation, particularly since the condominium concept is still new in many regions.

11. People living near a residential urban renewal site may be very much opposed to having a medium or high density multi-family development in the neighborhood. Depending upon the character of the proposed development, there may be justification for their complaints. At any rate, such an attitude on the part of residents may render it all but impossible for the LPA to allow a high enough density of units on the site to make a project feasible for a developer. (We discuss the problems of developers dealing with project controls in Tests 1B and 13A of this chapter.) The LPA should attempt to sell relatively small parcels to abutting or nearby owners if such owners are seeking to prevent financially feasible residential development on the parcels.

Sometimes complaints against higher densities are really complaints against rental properties as opposed to ownership properties. Thus, the LPA might be able to achieve a higher density if the proposed development will be owned by the tenants rather than rented. This tactic on the part of the LPA may have the dual effect of satisfying neighborhood residents and rendering redevelopment of multi-family units feasible from the developer's point of view.

12. In relation to the particular type of reuse, the size and other characteristics of the parcels in question, state and local legislation, and other conditions that may be unique to the locality or to the parcels, the LPA should carefully consider the positive and negative features of the six basic methods for offering urban renewal land. These methods are described in Chapter 3. In some cities, the LPA never varies its method of offering parcels. Especially in the case of those parcels that have proven difficult to dispose of, the LPA should weigh the advantages of the other possible methods to be certain they have chosen the one best suited to the particular case at hand.

13. Once a potential developer has expressed interest in a parcel or parcels, the process of negotiation begins. If negotiation is successful, the land in question is placed under contract. When circumstances result in delays in development, extensions may have to be granted

or the contract terminated. In such cases, negotiation can technically be said to continue until the land is officially disposed of or the contract is terminated.

- 13A. A person conducting negotiations with potential developers of residential land must be aware of the financial and market elements that are of fundamental importance in rendering such development feasible. Is there a sufficient market demand for dwelling units of this type, at this location, from those who will pay enough to justify the developer's investment? The private developer must make a profit or he will not build the housing. Whether or not he can make a profit depends on a number of basic factors, some of which are discussed in Tests 1, 2, 10, and 11 of this chapter.

To illustrate the important part that market and financial elements play in guiding the decisions of a profit-making enterprise, pro forma investment analysis technique is often used to analyze the sensitivity of a proposed investment to various factors. This technique delineates the land cost, construction cost, and other expenses involved. Mortgage financing alternatives are evaluated to determine which type of loan a developer can obtain and the amount of equity or cash on hand that will be required. Then, a cash flow projection is made showing projected income, projected expenses, annual debt charges (payment of the loan), and a resulting cash flow before income taxes and the effects of depreciation and tax shelter. If all the parameters assumed in the pro forma are correct, the analysis yields an accurate profile of what economic gain (profit) can be expected from the total investment in land and construction costs.

It should be noted that investors carefully weigh the risk involved before determining an acceptable rate of return on an investment. Thus, a return or profit of 10 percent on a real estate investment probably will not attract an investor if he or she can, for example, obtain 10 percent on a government bond that has no risk.

In the following table, we use an investment analysis of a 300-unit, multi-family residential development to describe these variables. For comparison, a desirable rate of return (profit) before taxes is assumed to be in the range of 12 to 15 percent. Anything above that can normally be considered excellent.

- 13B. In the case of large parcels suited to major residen-

INVESTMENT ANALYSIS OF PROJECTED
MULTI-FAMILY RESIDENTIAL DEVELOPMENT
(300 Units)

A. INVESTMENT

Land Value @60¢/Sq. Ft.	\$ 392,040
Construction Costs @\$16/Sq. Ft. for 300 units, 1,000 Sq. Ft. average	<u>4,800,000</u>
Total Investment	\$5,192,040

B. CASH FLOW BEFORE INCOME TAX

Effective Gross Income		\$ 803,700
Rental Income @\$235/unit	\$846,000	
Less Vacancy and Less Allowance 5%	<u>42,300</u>	
Expenses:		229,600
Management & Leasing @5%	\$ 34,200	
Salaries & Wages	19,500	
Utilities	7,200	
Water	6,000	
Painting & Decorating	7,200	
Maintenance & Repairs	12,600	
Refuse Removal	6,050	
Real Estate Taxes	89,750	
Insurance @\$45/unit	13,400	
Swimming Pool	1,000	
Supplies	6,000	
Sinking Fund	<u>26,700</u>	
Net Annual Income		\$ 574,100
Yield on Total Investment		
(\$574,100 ÷ \$5,192,040) = 11.1%		
Annual Debt Charges		
\$5,192,040 × 75% = \$3,894,030 loan @ 9½%		
for 25 years; Factor .1049		<u>408,480</u>
Cash Flow Before Income Tax		\$ 165,620

C. RATE OF RETURN BEFORE TAX

Equity Investment (\$5,192,040 - \$3,894,030)	\$1,298,010
Rate of Return on Investment (\$165,620 ÷ \$1,298,010)	<u>12.76%</u>

Assumptions for the Sake of Example:

- Fifteen acres cleared land @60¢ Per Square Foot
- Three hundred units of 1,000 SquareFoot Facility @\$16 Per Square foot
- Density of 20 Units Per Acre
- A 75% loan @9½% for 25 years

Note that the above items are subject to variation by bath region and time. For example, construction costs, maintenance casts, real estate taxes, etc., can vary monthly and will ordinarily differ by regional location. Even within a region, property taxes vary bymunicipality. These items can all be affected by policies of the LPA. For example, the following tables describe the effects of different values of land cost, construction cost, and allowable densities on profit.

INVESTMENT ANALYSIS OF PROJECTED MULTI-FAMILY RESIDENTIAL DEVELOPMENT

TABLE 1
EFFECT OF CHANGES IN LAND COST ON
TOTAL COST AND EQUITY RETURN

Table 1 shows the effect of land cost on the equity return or profit. Obviously, marketability of the land depends in part on the appraised reuse value of land. If land disposition is slow, therefore, quite possibly the reuse value of the land should be re-evaluated and reduced as an incentive to development.

Land Cost Per Sq. Ft.	Total Cost	Cash Flow Before Income Tax	Equity Return
\$.40	\$5,061,360	\$175,900	13.90%
.50	\$5,126,700	\$170,760	13.32%
* .60	\$5,192,040	\$165,620	12.76%
.70	\$5,257,380	\$160,480	12.20%
.80	\$5,322,720	\$155,340	11.67%

TABLE 2
EFFECT OF CHANGES IN CONSTRUCTION COST ON
TOTAL COST AND EQUITY RETURN

Table 2 reflects the effect of changes in construction cost on equity return. Too many stringent design regulations by the LPA can effectively diminish land marketability because of the increased costs required. Thus, design standards must be prepared with a realistic view of their implications on cost and whether they are detrimental to land marketability. Flexibility in negotiations is an objective for the LPA to enhance the marketability of urban renewal sites.

Construction Cost Per Sq. Ft.	Total Cost	Cash Flow Before Income Tax	Equity Return
\$15.00	\$4,892,040	\$189,220	15.47%
15.50	\$4,942,040	\$185,290	14.99%
*16.00	\$5,192,040	\$165,620	12.76%
16.50	\$5,342,040	\$153,820	11.51%
17.00	\$5,492,040	\$142,010	10.34%

TABLE 3
EFFECT OF CHANGES IN DENSITY ON
TOTAL COST AND EQUITY RETURN ^{1/}

Table 3 illustrates the effects of different allowable densities on profit. In determining land value and the allowable density on a renewal site, the LPA must realize the implications of both planning desires and economic realities. Urban renewal plans should be based on public goals, but implications of unmarketable plans on land disposition is obvious. During preliminary and final planning stages, the LPA should be knowledgeable of the implications of density on the economics of development.

Units Per Acre	No. of Units	Total Cost	Cash Flow Before Income Tax	Equity Return
10	150	\$2,792,040	\$ 67,390	9.65%
15	225	\$3,992,040	\$116,500	11.67%
*20	300	\$5,192,040	\$165,620	12.76%
25	375	\$6,392,040	\$214,740	13.44%
30	450	\$7,592,040	\$263,450	13.88%

*Based on calculations used in preceding investment analysis.

^{1/} Expenses adjusted proportionately for changes in density.

The above three variables have been taken independently. Imagine the negative impact of an over-priced land parcel plus too many stringent design controls. Although these particular variables have been singled out, the LPA must also be aware of the impact of real estate taxes, maintenance costs, insurance and other variables which affect the return on investment.

Not noted in the previous analysis, lower overall costs tend to lower the amount of equity or cash on hand required, and less equity required can be a significant factor in stimulating development. It should also be noted that the ability to achieve an expected rental rate where applicable is a high priority in profitable development. The sensitivity of profit to expected rental rates, in addition to occupancy expectancy, is paramount to success. Furthermore, the considerable effects of interest rates on annual debt charges (payment on the loan) and the resultant cash flow before income tax depicts the need for quick execution by the LPA because time costs money to the private developer.

Understanding the effects of different cost on a project's profitability, therefore, the LPA can better realize the role its policy plays in stimulating or inhibiting private development.

Prepared By: REAL ESTATE RESEARCH CORPORATION

tial redevelopment, every effort should be made to involve key public and private leaders in negotiations with potential developers. At the very least, the involvement of such persons indicates to the potential developer that the city strongly appreciates the significance of his proposal. Furthermore, such key persons can often identify or authorize special incentives to persuade the developer to proceed. For example, if short-term financing is the problem, such leaders may be able to help. If the problem is a guarantee of good police surveillance in the project area during construction or after the facility opens, community leaders can be influential in obtaining the assurance of the proper authorities that such protection will be available. In one way or another, property taxes may also be partly negotiable.

It may be easier for the LPA to obtain the participation of leaders in the private sector regarding high-rise luxury apartments in the downtown area than regarding inner-city sites for moderate-income families. Nevertheless, their participation is desirable for the latter as well as the former.

It is important that key leaders and LPA staff present a "united front" in negotiating with potential developers. This requires effective communication among the city's various participants prior to meetings with the prospective developer. Ideally, the LPA's contact and coordination with key local leaders should be an ongoing process rather than an isolated instance.

- 14A. Even when an LPA's marketing program is skillful and aggressive and site and project improvements have been well planned and efficiently implemented, adverse conditions beyond the LPA's control may be impeding disposition. Sometimes these are attributable to national trends, sometimes to singular local conditions or events. Examples of such factors that might delay disposition of residential land are as follows:

National Trends

- Change in and uncertainty about subsidized housing programs.
- Periods of tight monetary conditions.
- Decline of downtown commercial areas.
- Completion of circumferential expressways and of additional radial expressways.

- Residential flight to the suburbs.
- Rising crime rates in inner-city areas.
- Comparatively high tax rates to support central-city services.

Local Conditions or Events

- Sluggish economy and general lack of central-city investment
- Singularly high perceived crime rate in the project area.
- Lawsuits regarding condemnation or plan changes.
- Local opposition to urban renewal program or to a specific project.
- Racial disturbance in or near a project area.
- Intense and/or long-term labor problems in the city.
- Failure of city, state, or federal agencies to implement projects around which the urban renewal plan has been conceived (e.g., federal and state highway projects).
- Traffic congestion in the downtown area.
- Relatively poor access to the project area.
- A general image of obsolescence in the central city.
- Departure of major retail operations from the downtown area.

- 14B. Although many of the above problems and trends cannot be changed by the LPA, even with excellent support on the part of the city and of HUD, some can be expected to correct themselves in time and others can be mitigated by local action.

We believe it is of the utmost importance to emphasize that although national and local trends that are generally unalterable on a near-term basis may greatly complicate disposition, they can often be overcome in relation to specific projects if they are identified and

dealt with skillfully. Generally speaking, such trends are not an excuse for inactivity regarding the preparation and marketing of land. Nevertheless, in some cases, a proposed reuse will have to be changed if the LPA is trying unproductively to "buck the trend," or the LPA will have to await a change in the trend before resuming full-scale marketing efforts for the originally designated reuse.

Among tactics that have helped to offset negative local or national trends are the following:

- Applying pressure on the city by the LPA and downtown interests to substantially improve parking and to maintain excellent police protection and clean-up service.
- Enlisting the aid of local news media to "accentuate the positive" regarding the central city and to practice restraint in reporting negative incidents.
- Bringing together local civic and business leaders to obtain a broadbased commitment to reviving the central area. When the leaders are united and are willing to make contributions to promotion, rehabilitation of facilities, and other positive activities, the chances of reviving the overall downtown area are greatly enhanced. Similarly, the key financial groups in the city, if unified and earnestly desirous of revitalizing the central area, have in some cities been able to significantly increase residential investment.
- Using the time while trends are delaying disposition to complete public improvements to set the stage for later marketing.
- Recognizing when originally planned public improvements are not adequate to generate the hoped-for residential development. The time may be ripe to plan new, more ambitious public improvements or change project goals and focus on the objective of speedy implementation.

All of these approaches have proven effective in cities RERC studied, and numerous other examples of tactics to offset disadvantageous conditions are mentioned in other parts of this report.

Hold Land for Future Marketing

There are certain conditions under which the decision to hold residential land for future marketing presents itself

as a necessary or preferable temporary course of action. Examples of such circumstances are as follows:

Necessary

- Subsidized housing is the highest and best use for a site, but funds are not currently available.
- Extremely tight monetary conditions have rendered a fast rate of absorption highly improbable; the focus in marketing must temporarily be limited to one or two prime sites.
- City, state, or federal street or highway improvements that are integral to the project area's functioning have been postponed or considerably altered, and the LPA cannot control their timely implementation.
- Serious crime within or near the area has temporarily stigmatized the project. (This often causes heightened perception of danger, which has the same effect as real danger, and seriously hampers residential marketing.)
- Major alterations in the urban renewal plan are underway, and ultimate decisions will affect the parcel(s).

Preferable

- A desirable potential developer needs several months to finalize future plans and arrive at a decision to build in the project area (but has given evidence that he is not simply stalling).
- A major public institution has dire need for temporary use of certain parcels.
- A number of existing and proposed businesses and institutions need surface parking until a developer or the city builds parking garages.
- The desirable future development of certain parcels will have to be determined when the precise nature of development on other parcels has been established.
- Strong efforts are being made to attract a single developer for a number of major parcels, and this goal still appears to be realistic.
- The city's systematic plan calls for temporarily diverting a certain type of development to another urban renewal area in order to achieve maximum impact.

15. When the temporary tactic of holding land for future marketing is necessary or preferable, there are a number of tests that should be applied regarding the use or non-use of the land during the interim period. The eventual disposition of urban renewal land is basically an economic activity, and the economic return of cleared land while its disposition is unavoidably delayed should be a prime consideration. When parcels are clearly doomed to remain vacant for several years' time, an interim use may be advisable. Whenever possible, such a use should yield net income or at least offset maintenance and carrying costs. When an income-producing use is impossible or potentially detrimental to future sale or to the existing environment, then the land should be left vacant (but maintained) or should be temporarily devoted to a use that will serve the public interest and enhance the marketability of other disposition parcels in the project area.

An interim use is not feasible as far as the LPA is concerned if it involves:

- Clearly unretrievable monetary expenditures without the probability of enhancing marketability in other portions of the project area.
- A strong chance that the interim use will not be able to be terminated when re-marketing is advisable (for example, if a neighborhood might object publicly to the subsequent sale of an interim vest-pocket park).
- The time is ripe, or soon will be, for the sale of the given parcel(s), and the interim use will jeopardize marketing.

The following tests should be applied when considering interim use.

- 15A. If a suitable interim use will produce net income to the LPA, it is ordinarily the most desirable use. The best example of such use is the provision of badly needed surface parking facilities in a downtown area, and potential high-rise residential sites may be strategically located for this type of interim use.
- 15B. When suitable net-income-producing uses cannot be found, it may prove advisable to temporarily allow free or low-cost use of the land to support existing neighborhood uses. In the case of downtown residential land, for example, one or more firms adjacent to the vacant land might be in need of temporary private parking

space, and the gesture of the LPA to allow such use for a nominal fee may result in important benefits for the project area. In the case of inner-city residential areas, a residential parcel may serve well as a temporary public playground, or as a ballfield or parking lot for a neighboring church or school.

Three things should be borne in mind about interim uses in residential areas. First, the maintenance costs are likely to be considerably higher than for unused vacant lots and those costs will have to be borne by the Agency. (Attempts to encourage maintenance by local residents generally fail over time as interest wanes and original supporters move away.) Second, residents will tend to view the play areas, parks, or garden areas as permanent rather than temporary uses and may raise objections if the lots are subsequently sold for construction of dwelling units. Third, adjacent owners may object to interim uses that draw a lot of children to the parcel or are not physically attractive..

- 15C. If certain parcels can be devoted to an interim use that will serve the public interest without jeopardizing their sale when the time is right, such use may be preferable to protracted vacancy. In such a case, minimal-cost leasing or use in exchange for the service of maintenance are in order. Examples that we encountered in the course of this study include the temporary use of cleared land for tot lots or playgrounds, and the provision of parking for university students and employees. Pocket parks within the downtown area, tastefully though inexpensively furnished, can do much to create a feeling of pleasantness within a rather intense urban environment. Such interim use may help to produce greater regard for the urban renewal program within the community and increase the marketability of nearby sites.
16. The term "land banking" refers to the voluntary setting aside of vacant improved land with plans to market it at a future date. This may be a desirable approach regarding certain parcels or tracts for the following reasons:
 - 16A. A developer or developers may submit an integral plan to redevelop several acres in a desirable fashion, but may not be ready to enter into a contract to purchase the entire acreage until certain portions have been developed. Although our studies have shown that such comprehensive development schemes often fail to materialize, it is sometimes wise to land bank unsold and uncommitted portions of the planned area while the

developer is allowed to proceed with the initial phases of his proposal. Situations of this type require month-to-month vigilance on the part of the LPA to avoid wasting years of potential marketing time regarding the landbanked parcels. The greater the probability of eventual realization of the entire development, the more time that can be risked for the land in question.

- 16B. Careful analysis regarding some parcels may reveal that a waiting period is expedient by reason of the likelihood that the marketability for favorable reuse of the site will increase considerably in the foreseeable future. We have used the words "careful analysis" and "likelihood" in order to differentiate such judgments from the use of soft market conditions as an excuse to wait passively for a buyer to walk in the door.

A good example of carefully calculated land banking was evident in one of the cities RERC studied. Two urban renewal projects were directly competing for the same types of reuse on comparable sites. Rather than allow a haphazard dissipation of potentially catalytic redevelopment, the city made a clear choice to direct marketing efforts and supporting facilities to one of the projects, while holding some land in the other project for intensive redevelopment when the market caught up with the available inventory of land.

- 16C. A site may be earmarked for a very desirable and highly probable development, which for various reasons cannot occur for a period of some months or years. For example, hundreds of residential projects planned for subsidized housing have been at a standstill since early 1973. For a long time, it appeared as though some roughly equivalent program might be introduced, and in some areas there has been considerable discussion about expanding state and local housing programs to provide new units for low- and moderate-income households.
17. The "last resort" in attempting to market urban renewal land is to end up giving it away. This alternative may have to be considered regarding some parcels. When the parcel in question is relatively insignificant in value, when there is virtually no hope of selling the land in the foreseeable future for any suitable use or at any price, and when a person or organization can be identified who would maintain the land in good condition and use it in an acceptable manner, donating the land may prove the most economical course of action. Cases of such donation were extremely rare in the cities RERC studied, but occasionally such action may be appropriate.

7

INADEQUATE INTEREST IN RETAIL LAND

A. Statement of the Problem

One of the key general problems encountered in urban renewal land disposition is private developer lack of interest in the cleared and improved sites. Once projects are ready for marketing, disposition just has not occurred as rapidly as most LPAs have expected. Developers have been hesitant about undertaking projects on renewal land for many reasons, including the following:

- Because the city and metropolitan area are declining and there is little replacement demand for space.
- Because new construction has traditionally occurred in the suburbs and the urban renewal areas are unfamiliar turf for developers.
- Because the local market has been temporarily overbuilt.
- Because builders are unwilling to take the added risks of pioneering in urban renewal areas, especially with the attendant restrictions and red tape.
- Because the land prices are not low enough to offset development risks.
- Because only a limited number of developers have the experience and financial capability to undertake some of the planned large projects, and the LPAs have not contacted

them, or have not approached them persuasively enough.

- Because the LPA is not adept in dealing with private developers.
- Because some of the planned projects are out of scale for their local market.

In addressing these and other marketing problems, we have focused on separate land uses in five different chapters. This chapter concerns retail land. Other chapters deal with residential, industrial, office, and hotel-motel land. Though there is considerable repetition among the five chapters concerned with urban renewal reuse market resistance, large sections of each chapter are devoted specifically to one reuse. With the text on this general subject divided into five chapters, readers can concentrate on their problems with one particular reuse without being distracted by questions and answers relating to other uses. Persons who have problems in marketing properties of several types can easily skip over repetitive material in the various chapters they are using.

B. Basic Strategy Alternatives

There are two basic alternative ways of trying to deal with the problem of inadequate interest in retail land. These may be summarized as follows:

- Continue to Market Land Under Present or Modified Reuse -- This involves intensifying and/or redirecting the marketing program to take full account of local market conditions, the potential for the site, the needs and realistic demands of an retail developer, and possible tradeoffs or assistance that the LPA could offer a potential developer.
- Hold Land for Future Marketing -- This alternative involves consideration of interim uses, leasing of sites for temporary use, land banking the property in anticipation of improvement in market conditions, and the "last resort" of donating the site to eliminate LPA maintenance costs.

Tests to determine which of these two alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 15 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of inadequate interest in retail land read through the entire decision tree before deciding upon a specific action to follow. It only

PROBLEM: INADEQUATE INTEREST IN RETAIL LAND

basic alternatives	tests	findings	specific actions
Continue to Market Land Under Present or Modified Reuse.	1. Are the following plan-related problems inhibiting marketability? 1A. Is the current plan for the unsold retail inventory compatible with development that has already occurred within the project? 1B. Are the design and development standards in the plan restricting marketability?	Yes No Yes No	Apply other tests in this set. Consider plan revisions. See Chapter 13 ("Inflexibility of Project Plan.") Re-evaluate development standards in light of competitive retail land inventory in region and revise as appropriate. Apply other tests in this set.
	2. Have the current and projected markets for retail land and competitive land prices been reviewed? 2A. Does the LPA have current and realistic information regarding the strength and characteristics of the market for retail land? 2B. Has land pricing been reviewed?	Yes No Yes No Yes No	Apply other tests in this set. Apply tests 2A and 2B. Apply test 2B. Prepare a current and realistic market analysis for unsold inventory. Apply other tests in this set. Prepare current and realistic price schedule relying upon land residual appraisal approach. See Chapter 5 ("Overpriced Land").
	3. Have the following actions been taken to put lots in good and marketable condition? 3A. Is all trash regularly removed? 3B. Have all structures scheduled for removal been demolished? 3C. Are sidewalks, curbs, and on-site utilities in good condition? 3D. Is regular surface maintenance of sites provided?	Yes No Yes No Yes No Yes No	Apply Test 3B. Arrange for regular trash removal. Apply Test 3C. Contract for demolition. Apply Test 3D. Contract for repairs. Apply other tests in this set. Arrange for grass cutting, etc.
	4. Have project area public improvements been made (e.g., street widening and paving, curbs, gutters, street lighting, storm and sanitary sewers)?	Yes No	Apply other tests in this set. Make improvements. Consider staged program of physical improvements when the designated area is extremely large.
	5. Are promotional efforts appropriate for the size and scale of the intended retail development?	Yes No	Apply other tests in this set. Prepare polished promotional materials; encourage existing merchants to participate in promotion.
	6. Has there been extensive suburbanization of retail development in the metropolitan area?	Yes No	Re-evaluate the amount of urban renewal land designated for retail reuse. Apply other tests in this set.
	7. Have any department stores/major retailers moved their downtown operations to suburban sites?	Yes No	Reconsider extensiveness of designated retail reuse because outmovement seriously stigmatizes an area. Apply Test 8.
	8. Has the LPA been trying unsuccessfully to attract department store/major retail redevelopers to the CBD?	Yes No	Apply Test 8A. Apply other tests in this set.

PROBLEM: INADEQUATE INTEREST IN RETAIL LAND

basic alternatives	tests	findings	specific actions
	8A. Are there department stores/major retailers presently in outmoded facilities in the CBD?	Yes	Contact these firms and attempt to determine the conditions that might spur them to build or occupy new facilities. Focus particularly upon firms that are leasing space. Apply Test 8B.
	8B. Have department store and major retail chains operating within the region been contacted?	No	Apply Test 8C. Contact such developers.
	8C. Has the LPA contacted real estate brokers specializing in retail sites?	Yes No	Apply Test 8D. Contact such brokers.
	8D. Has the LPA attempted to market land to other retail users (discount stores, smaller more specialized retailers with mass-market appeal, automotive supply outlets)?	Yes No	Apply Test 8E. Consider broadening retail marketing effort.
	8E. Is there a market for office or other major nonretail facilities on the designated department store/major retail sites?	Yes No	Consider broadening marketing effort. Apply Tests 13 through 15.
	8F. Has the LPA carefully chosen among the various methods of offering sites?	Yes No	Apply other tests in this set. Evaluate the various methods of offering in relation to each parcel or group of parcels (see Chapter 3).
	9. Have all possible efforts been made to retain existing neighborhood commercial users?	Yes No	Apply other tests in this set. Work closely with Project Area Committee to identify users that can be retained and develop methods to accomplish necessary rehabilitation or creation of new facilities.
	10. Has the LPA been trying unsuccessfully to market neighborhood shopping center land?	Yes No	Change reuse (see text). Apply other tests in this set.
	11. Are negotiations being conducted effectively?	Yes No	Apply other tests in this set. Apply Tests 11A and 11B.
	11A. Are negotiations being conducted by staff members knowledgeable about financial and market elements of retail commercial development?	Yes No	Apply Test 11B. See Chapter 18, "Insufficient Disposition Staff Capabilities".
	11B. Are key public and private leaders being asked to participate in negotiations with potential developers of major parcels?	Yes No	Apply other tests in this set. Encourage participation but coordinate efforts to assure presentation of a "united front" to potential developers.
	12. Are there adverse conditions beyond the LPA's control:		
	12A. That are delaying project marketing? (See text)	Yes No	Apply Test 12B. Apply other tests in this set.
	12B. That are temporary and correctable? (See text)	Yes No	Perform as much preliminary marketing as possible until conditions change. Apply other tests in this set.

PROBLEM: INADEQUATE INTEREST IN RETAIL LAND

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
Hold Land for Future Marketing	<p>13. Are there feasible interim uses?</p> <p>13A. Are there interim uses that would produce net income, such as parking lots?</p> <p>13B. Are there interim uses that would be supportive to uses in commercial areas, such as pocket parks or tot lots?</p> <p>13C. Are there other situations in which interim uses would serve the public interest better than continued vacancy?</p> <p>14. Is holding land in a land bank desirable because:</p> <p>14A. The site is considered for a specific future development with a high probability of occurrence at a planned date?</p> <p>14B. Future market conditions are likely to improve so as to make the sales price and intensity of redevelopment more favorable?</p> <p>14C. There is an apparent reuse for the site in the foreseeable future?</p> <p>15. Could sites be donated to someone who would maintain them in good condition or use them in an acceptable manner?</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p>	<p>Apply Tests 13A and 13B. Apply other tests in this set.</p> <p>Analyze market for interim use(s). Apply Test 13B.</p> <p>Consider such uses. Apply Test 13C.</p> <p>Consider such uses. Apply other tests in this set.</p> <p>Hold in land bank and maintain site until scheduled date of use. Apply Test 14B.</p> <p>Hold in land bank and maintain site. Review semi-annually. Apply Test 14C.</p> <p>Reconsider earlier tests. Apply other tests in this set.</p> <p>Consider donation, especially if maintenance costs are high. Place in long-term land bank and maintain in good condition.</p>

Prepared by Real Estate Research Corporation and RTKL, Inc.

takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Inadequate Interest in Retail Land." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the two alternatives are included as sub-headings to clarify the context of the discussion of the tests.

● Continue to Market Land Under Present or Modified Reuse

- 1A. If land planned for retail use is attracting little interest among potential developers, various aspects of the project's planning should be re-examined. When retail reuse parcels have remained unsold over several years' time, other portions of the project area, or surrounding land uses, may have undergone considerable change. Sometimes these changes had been foreseen in the original land use plan. But often the actual redevelopment that has taken place varies significantly from earlier expectations in terms of type or character of the reuse. For example, since execution began,

the LPA may have reduced the amount of retail commercial land in a downtown project area and increased public open space and/or office reuse. Also, the internal or surrounding street system may have changed in a manner that had not been envisioned in the original plan. Furthermore, the quality of the redevelopment that has taken place might be less impressive than the LPA's hopes in the initial stages of the project, requiring that the LPA "lower its sights" regarding the reuse potential of remaining land if its marketing efforts are to be realistic. This lowering of sights may involve several actions treated in subsequent parts of this chapter. On the other hand, the failure to note recent and current changes in the project area may in effect blind the LPA to more favorable disposition opportunities that have come about since execution began.

Thus, the unsold inventory of retail land should be re-evaluated in terms of completed or firmly committed developments and changes within and surrounding the retail reuse area. Conducting an effective marketing program for unsold sites usually requires a specific concept of the types of users who should be interested in locating there.

Examples of actual events that occur during execution and necessitate changing the type or intensity of reuse for various parcels are as follows:

- The state announces a firm commitment to finance a new convention center, hitherto unexpected, within the project area.
- Local business persons, with federal help, bring about a pedestrian shopping mall in the downtown area.
- A proposed highway or interchange fails to materialize.
- A proposed public facility of major significance is constructed elsewhere.
- A major department store(s) leaves the CBD to locate in the suburbs.
- A major bank or corporation implements a development of unique prestige.
- Planned high-rise luxury apartments have not materialized.

Re-evaluating unsold parcels in terms of recently established surrounding uses may reveal the need for basic changes in the urban renewal plan. The pitfalls of an inflexible plan are discussed at length in Chapter 13.

- 1B. Building restrictions included in the urban renewal plan should not unduly penalize the developer in comparison with restrictions that characterize sites of comparable value in the city and surrounding area. Excessively stringent lot coverage restrictions and construction standards may be enough to turn away desirable developers. It is important that the LPA have realistic esthetic goals in light of the achievable character of the particular commercial area. At the same time that it is extremely important to avoid a "junky" appearance or shoddy construction of new retail facilities, it may also be important to recognize the limitations of a generally older, though renovated, retail environment surrounding the proposed development.

If favorable retail developers have refused to build in the project area because of stringent regulations, the LPA should carefully compare its development standards with those of competitive retail areas in the city and the region, realizing that the project area in question may not be able to attract the same quality or intensity of redevelopment as a new regional suburban shopping center.

If restrictions include the responsibility of the developer to furnish a considerable number of parking spaces in a CBD area, it may prove crucial for the LPA to reduce the required number of spaces and to persuade the city to provide adequate public parking and/or agree to participate in financing the developer's parking obligations.

If a major department store or a prestigious specialty retailer is interested in building a facility on urban renewal land, the LPA should exercise great flexibility regarding its restrictions, realizing that the most important governing principle for the prime tenant is to enhance his own image in the community. Generally, following this principle dictates high quality development.

- 2A. Prior to the approval of Loan and Grant - Part II, a marketability study and reuse appraisals were completed for each project and submitted to HUD. At that time, the planned reuses had been declared marketable, and an estimated rate of land absorption was normally included.

Nevertheless, if sizeable portions of land designated for retail reuse have remained unsold over a period of years, the original market study has probably become outdated. Perhaps it was not realistic from the beginning.

We have found that, for various reasons, many LPAs placed little stock in the conclusions and recommendations of the original market analysis. We believe such market analysis is important, and when the land has remained unsold over several years' time, the LPA should carefully review the original market study to see whether developments and trends that have taken place in the interim may have radically changed the marketability of certain reuses in the project area. The question of the marketability of various uses on a particular site is so basic that promotion, marketing efforts, and public improvements can be wasted if the market simply is not there and cannot reasonably be expected to appear in the future.

If, after its review of the earlier market study, the LPA suspects a pronounced absence of current and future marketability for the proposed retail reuse, we recommend that reliable and up-to-date market information be developed and analyzed by an appropriate professional person or firm. Such a re-evaluation should include recommendations for an alternate, more marketable reuse if the originally designated reuse is found to be unmarketable. A study of this type should also provide a probable rate of absorption regarding unsold land in light of current and expected developments and trends. This can serve to guide the LPA's expectations for the rate of disposition. The agency must realize, however, that the actual rate of absorption will depend significantly on the quality of its marketing effort.

Even when the market for retail land is relatively strong and the price of the land is competitive, determination of the type and intensity of development that will be financially feasible on a given site requires further technical consideration. Thus, it will often be wise for the LPA to request a feasibility component within the market study to indicate the scale and character of development that the LPA can realistically seek.

It is important to note here that the LPA should not apply pressure upon the market analyst to recommend a high type of reuse just because such a reuse fits ideally into the project plan and will generate higher revenue. If the market conclusions are virtually

dictated by the LPA rather than by the data, method, and objective judgment of the analyst, a decade can easily be lost in attempting to dispose of the land according to a favorable but financially unrealistic redevelopment scheme.

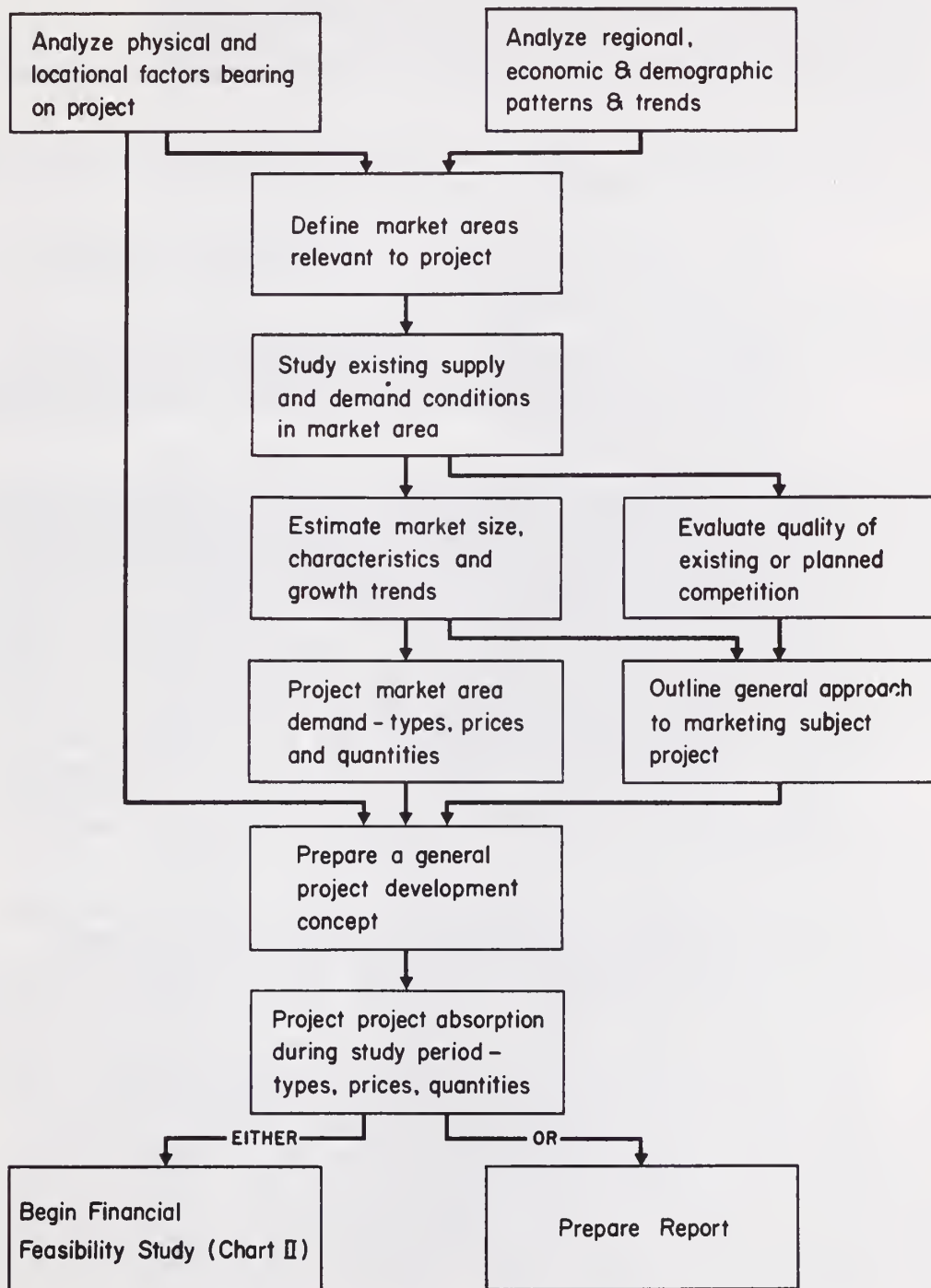
RERC's experience in this study and in numerous market studies for the private sector indicates that land designated specifically for retail reuse in the CBD or inner city is generally the most difficult land to dispose of. In the early 1960's when many CBD renewal projects began execution, the strength of the trend toward suburban shopping centers was less pronounced than in more recent years. Thus, market studies regarding retail land are especially likely to be outdated and dangerously misleading. The market for retail land is directly related to the market for retail goods as sold at a specific location. In most cities, the exodus to the suburbs of middle- and upper-income families, with major retailers following, has drastically reduced the desirability of downtown retail locations.

The chart on the following page indicates the components of a typical market study. The feasibility component is described in Test 11 of this chapter.

- 2B. The question of land pricing can be critical regarding retail sites, especially if the proposed development will be a speculative multi-tenant facility. The fundamental problem of overpriced land is discussed in detail in Chapter 5, and the advantages to be gained in reappraising the unsold land with a land residual appraisal approach are presented here. The significance of the price of land in rendering retail development economically feasible will be illustrated in Test 11 of this chapter.
3. It is the LPA's responsibility to see that the stage is set for showing available parcels to their best advantage. If the site or the overall project area has a negative appearance or if the basic functional improvements have not yet been made, potential retail developers may be repelled without the LPA ever knowing that they were interested.

Image and environment are of the utmost importance to the success of retail operations. The immediate area should have a "customer generating" atmosphere, and developers viewing a potential site should be able to envision such an atmosphere. This means that the area should be cleared before marketing is under way. In

ORGANIZATION OF WORK ELEMENTS: MARKET ANALYSIS



Prepared By: REAL ESTATE RESEARCH CORPORATION

order to enhance the marketability of its sites, the LPA should be certain that the following actions are performed:

- Trash should be removed regularly.
- Buildings that are to be removed should be demolished.
- Sidewalks, curbs, and on-site utilities should be in good condition.
- Sites should be graded and planted with grass, spread with wood chips, or otherwise surfaced in a neat and orderly manner.
- Regular maintenance should be provided to keep weeds under control. This benefits the surrounding area and enhances the marketability of the specific disposition sites.

4. For many reasons, the implementation of public improvements is of fundamental significance in preparing the way for effective marketing of land, and this applies to retail as well as other types of land. The visual and functional qualities of the site and the surrounding area are of major concern to a potential retail developer. If basic project improvements (new and improved streets, street lighting, storm and sanitary sewers) have already been completed or at least are well underway, a prospective developer is assured that his project will not be delayed or inhibited by the failure to implement public improvements. Plans and promises are not very effective when an LPA is trying to encourage major investments.

Regarding major retail, office, and luxury apartment developments, it is typical for the city to have planned a major public facility that is calculated to enhance the project area and to act as a catalyst for securing high-quality surrounding development. We must emphasize that such facilities should be completed or well underway before the LPA can hope to engage in aggressive marketing of prime sites. Particularly when the LPA is attempting to interest a major national developer, the psychological and visual impact of a city that has accomplished what it set out to do can be the LPA's strongest marketing tool. Conversely, a city's failure to accomplish promised investments in its urban renewal areas creates a poor context for marketing retail land.

One of the crucial factors responsible for the success of suburban shopping centers is the existence of free and abundant parking. In most cases, a city attempting to add strength to its downtown retail/office area will have to provide at least a portion of the parking facilities that are absolutely necessary to attract significant numbers of shoppers to the downtown area. Again, the construction of some public parking facilities -- not just the promise -- should precede attempts to draw major new retailers into the area. Initially, this may be off-street surface parking -- with a parking structure to follow when retail land is under contract to a developer.

5. We have found that renewal agencies throughout the nation vary widely in their use of promotional materials and approaches. The importance of good promotional materials and use of a variety of marketing techniques and approaches are discussed in Chapter 3.

Regarding promotion of available retail land, we believe that an attractive and informative brochure to advertise available land will pay for itself in terms of accelerating disposition. Effective promotional material need not be expensive but should be adapted to the character of the planned reuse of the area. In some instances, available urban renewal land may hold strong potential for attracting a national retailer into the city; if such is the case, promotional materials should be of high quality and widely circulated by mail. If the land is of local interest only, simple but well-prepared materials will be sufficient.

In addition to the brochure, leaflet-type circulars can be used effectively to describe individual parcels planned for retail use. An attractive map of the site, illustrating access and surrounding uses, can be a valuable tool to interest potential retail developers and real estate brokers. Portions of such materials can also be used for newspaper or magazine advertisements.

A number of persons and organizations outside the LPA should be asked to help promote retail sites. Political, business, and civic leaders should be aware of the enormous significance that a prestigious new retail operation has in signalling the vitality of the CBD. Merchants of existing stores should be especially sensitive to the importance of such facility -- and the addition of smaller retail operations and restaurants -- to help attract larger numbers of people to the area.

Local merchants can be very effective promoters for remaining retail sites. Downtown merchant associations must be reminded from time to time that the extent of their own reinvestment in the appearance of their stores is one of the strongest positive or negative influences that a potential developer will note. In a very real sense, downtown merchants must "hang together" or they will all "hang separately."

In most cities, there are local or state organizations whose major function is to stimulate economic growth in the area. A Chamber of Commerce is the most typical such agency, but in many cities there are a number of promotional groups with differing emphases and varying levels of promotional activity. In Louisville, Kentucky, for example, we found three civic organizations that engaged effectively in promoting the city regionally and/or nationally. It is important for the LPA in any city to be familiar with such organizations and to maintain contact with their officials. However, regarding retail land, the chances of drawing a major new department store into a CBD urban renewal area are relatively slight, even with extensive local support.

"For sale" signs should be placed on available retail sites and moved periodically to different portions of the site. When sites are located in the CBD, large numbers of local and out-of-town people can be expected to see the signs.

6. One of the strongest, most established trends in large and medium-sized cities throughout the nation is the location of major local retailers in suburban shopping centers. In some cases, downtown department stores simply exit to the suburbs, but more often they retain their downtown stores but also construct major new facilities in one or more outlying regional shopping centers. This trend has become so pronounced and the popularity of the new suburban centers is so understandable, that efforts on the part of the LPA to "buck the trend" by aspiring to restore the regional retail prominence of the CBD are doomed to fail in most cities.

There are differing degrees of retail strength among central business districts. A deteriorating downtown retail area can gradually become abandoned, or it may stagnate and then linger for a few decades. Well-conceived and adequately financed measures on the part of downtown leaders and LPAs have in many cases succeeded in stopping the exit of major retailers. Some CBDs, especially in smaller cities, have been brought back to positions of major retail significance, though not pre-eminence.

When extensive suburbanization of retail development has already occurred, care must be taken not to be overly ambitious regarding the amount of retail land that might be disposed of in a renewal project. The LPA should be prepared to change the land use or to accept proposals for alternate use of retail land if its inventory of such land is out of proportion. An updating of earlier market studies may be very important to bring the problem into a realistic focus.

As discouraging as the picture may seem for major CBD retail operations, we believe that in many cases a downtown retail center can make a significant "come-back" if its merchants and civic leaders act before there is nothing left to save. Introduction of pedestrian malls and provision of convenient, inexpensive parking do much to revitalize a failing CBD retail area. Examples are such cities as Louisville, Kentucky; Evansville, Indiana; Kalamazoo, Michigan; South Bend, Indiana; and Parsons and Atchison, Kansas. These and many other cities throughout the nation have taken effective steps to make the best of a difficult situation.

7. When one or more major department stores or other retail merchandisers have already closed their downtown facilities and moved to the suburbs, there is very little chance of disposing of extensive amounts of retail land in the CBD. Such outmovement seriously stigmatizes a downtown shopping area, and efforts by the LPA to reverse the trend will probably be futile unless major office, apartment, hotel, and public construction transforms the environment.
8. Despite the trend mentioned in Tests 6 and 7, there may be prime retail sites available on urban renewal land in the CBD, and market studies may indicate that it is worthwhile to attempt to secure a major retail redevelopment. This is especially likely if the development of new office space, luxury apartments, hotels, and perhaps a convention center have transformed the downtown area. Tests 8A through 8F describe fundamental approaches that should be taken in marketing major retail sites in a CBD area.
- 8A. Every major department store or other type of retailer whose current facilities are outmoded or less than prestigious should be contacted and encouraged to purchase land for a new store. (If new construction is definitely not of interest to a retailer, renovation or exterior improvement of present facilities should also be discussed.) Major stores that lease their space should also be contacted. Contacts with major

retailers should be made by persons -- either within or outside the LPA -- who are skilled in the field of real estate. Oftentimes, the initial contact results in a negative response on the part of the firm but may well plant the seed for serious consideration by the retailer in the future. Furthermore, any developer considering building speculative retail space is intensely interested in those stores that have indicated a near-future desire for new and high quality commercial space. In its contacts with major retailers, the LPA may thus become aware of a concrete market for new space that can be of help in attracting a major developer.

- 8B. Regarding prime sites for retail reuse, contact should be made with major department stores and appropriate retail chains that have never been in the city's downtown area but are operating successfully in the suburbs or in neighboring cities or states. If at all possible, such contacts should be made as described in Test 8A above. Even if a number of such retail operations indicated no interest when they were contacted shortly after project execution began, the LPA should make subsequent contacts periodically, particularly if major developments have occurred in the renewal area that would strengthen the location for retail operations. For example, the announcement of a new convention center with supporting hotels and abundant parking would constitute a change that would warrant reconsideration on the part of major retailers.
- 8C. Serious efforts should be made to involve real estate brokers specializing in retail land sales to aid in marketing renewal sites. Ordinarily, such efforts will have to go well beyond the "general mail-out" approach and will involve personal contact with brokers at least by telephone. Well prepared promotional materials can aid the broker and ready availability of further descriptive and explanatory material from the LPA will provide encouragement for broker involvement. The lack of such serious efforts to secure the professional assistance of brokers will almost inevitably result in minimal broker participation in the sale of urban renewal land. Such has been the case in almost every city to date.
- 8D. Every LPA would like a prestigious department store to build a new facility on one of its major retail sites. When efforts to attract such a store have been consistently unsuccessful, however, the LPA should consider broadening its concept of the types of retail operations that might wish to locate in the project. For

example, a large new discount store or other more specialized retailers with mass-market appeal constitute commercial uses that are far more desirable than either marginal shops or vacant land. Everyone wants a Nieman-Marcus, but not everyone can realistically aspire to having one. If mass-market merchandisers would destroy the character of the commercial area in a particular project but prestigious retailers have shown no interest in locating there, a change in the reuse for the parcels will probably have to be made.

- 8E. Related to Test 8D and to several of the preceding tests, it may be wise for the LPA to expand the acceptable reuses for its retail sites. Broadening of the types of reuses allowed for parcels designated "commercial" proved effective in several of the cities RERC studied for this assignment. A reuse category can be defined that will allow a wide range of commercial uses -- office, hotel, parking, restaurants, or any suitable mixture of such uses. The promise of land price based on a residual land appraisal (once a development concept has been proposed and accepted) might provide an added incentive to prospective redevelopers.
- 8F. In relation to the particular type of reuse, the size and other characteristics of the parcels in question, state and local legislation, and other conditions that may be unique to the locality or to the parcels, the LPA should carefully consider the positive and negative features of the six basic methods for offering urban renewal land. These methods are described in Chapter 3.

In some cities, the LPA never varies its method of offering parcels. Especially in the case of those parcels that have proven difficult to dispose of, we believe the LPA should weigh the advantages of the other possible methods to be certain they have chosen the one best suited to the particular case at hand.

9. In the case of many basically residential urban renewal projects, the need for commercial convenience facilities to serve the residents is generally recognized in the planning stage, and a new or rehabilitated neighborhood shopping area is frequently included in the renewal plan. Our findings in this study, as well as in our other work, indicate that all possible efforts should be made to retain existing neighborhood commercial users whenever possible, rather than demolishing the stores and attempting to start a brand new neighborhood shopping center. Our reasons for this recommendation are explained in Test 10.

The Project Area Committee typically desires a new neighborhood shopping center, but the LPA must realize that only rarely have such shopping areas materialized and proven successful. The PAC should help in identifying existing commercial users who might be retained in new or rehabilitated facilities.

10. During our study of urban renewal projects across the nation, we encountered a large number of instances in which planned neighborhood shopping centers either could not attract a developer or experienced severe operating difficulties after construction. This is a case where market and feasibility realities generally dictate against a facility that would be highly desirable from a planning point of view.

One of our test case cities experienced both of the situations that have been characteristic of neighborhood shopping centers in urban renewal projects across the country. In the city's first renewal project, containing more than 350 multi-family units developed under FHA 221(d)(3), a 44,000-square foot neighborhood shopping center had also been developed. It has proved to be an economic failure, with much of the space now vacant and the remainder occupied by public organizations and marginal commercial enterprises. In another of the city's projects, a neighborhood shopping center was planned but no developer could be found, despite the fact that hundreds of FHA Section 236 units had been constructed and were well occupied. The LPA wisely changed the reuse of the retail parcels to a residential designation, and the site has since been developed for residential use.

Although there must be some exceptional cases where neighborhood shopping centers have been successful in urban renewal projects, we suggest that LPAs adopt a general rule of changing their reuse plans to exclude development of new neighborhood shopping centers. Where the tactic suggested in Test 9 is possible, we recommend that it be followed.

A key reason for the failure of ambitious neighborhood shopping centers in renewal areas is the fact that prosperous retail chains tend not to locate in the new neighborhood centers, since residents in the area are usually moderate- or low-income families and individuals. The retail facilities that do locate there tend to be inferior to those that neighborhood residents can patronize if they drive cars. (We have found that a high number of families in moderate- and low-income areas do drive to do their shopping.) The fact that the retailers

within the neighborhood center are familiar to the area's residents is not sufficient to offset the competition of larger chain stores that often have lower prices. Finally, the marginal retailer in the neighborhood center has often extended himself a little too far in terms of space and rental rates, attempting unsuccessfully to compete with the larger chains. This syndrome has been typical of most neighborhood centers that were constructed in renewal projects.

11. Once a potential developer has expressed interest in a parcel or parcels, the process of negotiation begins. If negotiation is successful, the land in question is placed under contract. When circumstances result in delays in development, extensions may have to be granted or the contract terminated. In such cases, negotiation can technically be said to continue until the land is officially disposed of or the contract is terminated.
- 11A. A person conducting negotiations with potential developers of retail land must be aware of the financial and market elements that are of fundamental importance in rendering retail development feasible. The number of available customers with a sufficient amount of disposable income constitutes the all-important factor in a retailer's choice of location. The retailer's target customer-group must be large enough to assure him or her of a profit to justify the capital risk. A location that allows the retailer favorable exposure to large numbers of potential buyers will be ideal. Today, the downtown retailer must try to compete with the new suburban shopping centers in terms of ease of access, availability of inexpensive parking, clustering of several major retailers in one area, appearance of facilities, and convenient evening hours. Although it is often difficult or impossible for the downtown retailer to compete on the above terms, he or she still has one major advantage: daytime walk-in trade from the CBD employment concentration. New office tower additions, new hotels, and new convention centers can maximize this advantage.

In negotiating with prospective retail developers, it is important to demonstrate that a sufficient market is or will be present in the CBD. The larger that market appears to be, the more interested developers become. The LPA should have facts on hand that relate to the number of people who work and shop in the CBD, and facts that show that the number can easily increase. Any aid the city can give to a prospective retailer in providing abundant cheap and convenient parking will be of the utmost importance. Generally speaking, the

city and the LPA will have to "bend over backwards" in whatever ways they can to persuade a major department store or retail developer to buy a downtown site and develop it. Flexibility in negotiations with prospective retail developers is absolutely necessary. To illustrate the important part that market and financial elements play in guiding the decisions of a profit-making enterprise, a pro forma investment analysis technique is often used to analyze the sensitivity of a proposed investment to various factors. This technique delineates the land cost, construction cost, and other expenses involved. Mortgage financing alternatives are evaluated to determine which type of loan a developer can obtain and the amount of equity or cash on hand that will be required. Then, a cash flow projection is made showing projected income, projected expenses, annual debt charges (payment of the loan), and a resulting cash flow before income taxes and the effects of depreciation and tax shelter. If all the parameters assumed in the pro forma are correct, the analysis yields an accurate profile of what economic gain (profit) can be expected from the total investment in land and construction costs.

It should be noted that investors carefully weigh the risk involved for an acceptable rate of return on an investment. Thus, a return or profit of 10 percent on a real estate investment probably will not attract an investor if he or she can, for example, obtain 10 percent on a government bond that has no risk.

In the following table, we use an investment analysis of a shopping center to describe these variables. For comparison, a desirable rate of return (profit) before taxes is assumed to be in the range of 12 to 15 percent. Anything above that can normally be considered excellent.

11B. In the case of prime parcels suited to major retail uses, every effort should be made to involve key public and private leaders in negotiations with potential purchasers. Ordinarily, the addition or expansion of a major retail facility is of great significance in the eyes of local merchants. It means that:

- A major investment will reinforce the downtown retail position, and hopefully will trigger further investment.
- Retail operations that are considering moving to the suburbs may well decide not to move, or at least not to close their downtown outlet when opening a new suburban facility.

INVESTMENT ANALYSIS OF PROJECTED
SHOPPING CENTER

(130,000 Gross Sq.Ft. Facility)

A. INVESTMENT		
Land Value @ \$1.50/Sq.Ft.		\$ 718,740
Construction Costs @ \$27.00/Sq.Ft., including parking, lighting, site preparation, etc.)		3,510,000
	Total Investment	<u>\$4,218,740</u>
B. CASH FLOW BEFORE INCOME TAX		
Effective Gross Income		\$ 648,370
Gross Potential Income @ \$5.25/Sq.Ft.	\$682,500	
Less: Vacancy and Collection Losses @ 5%	<u>34,130</u>	
Expenses:		169,850
Management @ 4%	\$ 23,600	
Advertising & Promotion \$250/Mo.	3,000	
Legal & Accounting	3,000	
Insurance	5,000	
Real Estate Taxes	107,000	
Utilities	5,000	
Maintenance and Repairs	20,000	
Reserve (2.5¢/Sq.Ft.)	<u>3,250</u>	
Net Annual Income		<u>\$ 478,520</u>
Yield on Total Investment ($\$478,520 \div \$4,218,740$) - 11.34%		
Annual Debt Charges		
(\$4,218,740 \times 75% = \$3,164,060 loan @ 9½% for 25 yrs.;		
Factor .1049)		<u>331,910</u>
Cash Flow Before Income Tax		<u>\$ 146,610</u>
C. RATE OF RETURN BEFORE TAX		
Equity Investment (\$4,218,740 - \$3,164,060)		\$1,054,680
Rate of Return on Investment ($\$146,610 \div \$1,054,680$)		<u>13.9%</u>

Assumptions for the Sake of Example:

- Eleven acres cleared land @ \$1.50 Per Square Foot
- A 130,000 Square Foot Shopping Center @ \$27.00 Per Square Foot
- A 75% loan @ 9½% for 25 years

Note that the above items are subject to variation by both region and time. For example, construction costs, maintenance costs, real estate taxes, etc., can vary monthly and will ordinarily differ by regional location. Even within a region, property taxes vary by municipality. These items can all be affected by policies of the LPA.

INVESTMENT ANALYSIS OF PROJECTED SHOPPING CENTER

TABLE 1
EFFECT OF CHANGES IN COST PER SQUARE FOOT
OF LAND ON TOTAL COST AND RETURN ON EQUITY

Table 1 shows the effect of land cost on the equity return or profit. Obviously, marketability of the land depends in part on the appraised reuse value of land. If land disposition is slow, therefore, quite possibly the reuse value of the land should be re-evaluated and reduced as an incentive to development.

Land Cost Per Sq.Ft.	Total Cost	Cash Flow Before Income Tax	Equity Return
\$.50	\$3,749,580	\$183,520	19.57%
\$1.00	\$3,989,160	\$164,670	16.51%
*\$1.50	\$4,218,740	\$146,610	13.9%
\$2.00	\$4,468,320	\$126,970	11.36%
\$2.50	\$4,707,900	\$108,130	9.18%

TABLE 2
EFFECT OF CHANGES IN CONSTRUCTION COST ON
TOTAL COST AND RETURN ON EQUITY

Table 2 reflects the effect of changes in construction cost on equity return. Too many stringent design regulations by the LPA can effectively diminish land marketability because of the increased costs required. Thus, design standards must be prepared with a realistic view of their implications on cost and whether they are detrimental to land marketability. Flexibility in negotiations is an objective for the LPA to enhance the marketability of urban renewal sites.

Construction Costs Per Sq.Ft.	Total Cost Incl. Land	Cash Flow Before Income Tax	Equity Return
\$25.00	\$3,968,740	\$166,280	16.75%
\$26.00	\$4,098,740	\$156,050	15.22%
*\$27.00	\$4,218,740	\$146,610	13.9%
\$28.00	\$4,358,740	\$135,600	12.44%
\$29.00	\$4,488,740	\$125,370	11.17%

TABLE 3
EFFECT OF CHANGES IN AVERAGE OCCUPANCY ON
INCOME AND RETURN ON EQUITY

Table 3 describes the effects of varying occupancy rates on equity return. Through proper marketability analysis and the preparation of feasible plans, the LPA can aim for a scale of development which should achieve profitable levels of occupancy. Also, the LPA must realize that provision of public improvements and services is instrumental to desirable occupancy rates, thereby increasing the profit incentive for the developer.

Average Occupancy Rate	Gross Income	Cash Flow Before Income Tax	Equity Return
100%	\$682,500	\$180,740	17.13%
* 95%	\$648,370	\$146,610	13.9%
90%	\$614,250	\$112,490	10.66%
85%	\$580,130	\$ 78,370	7.43%
80%	\$546,000	\$ 44,240	4.19%

*Based on calculations used in preceding investment analysis.

The above three variables have been taken independently. Imagine the negative impact of an overpriced land parcel plus too many stringent design controls. Although these particular variables have been singled out, the LPA must also be aware of the impact of real estate taxes, maintenance costs, insurance and other variables which affect the return on investment.

Not noted in the previous analysis, lower overall costs tend to lower the amount of equity or cash on hand required, and less equity required can be a significant factor in stimulating development. It should also be noted that the ability to achieve an expected rental rate where applicable is a high priority in profitable development. The sensitivity of profit to expected rental rates, in addition to occupancy expectancy, is paramount to success. Furthermore, the considerable effects of interest rates on annual debt charges (payment on the loan) and the resultant cash flow before income tax depicts the need for quick execution by the LPA because time costs money to the private developer.

Understanding the effects of different costs on a project's profitability, therefore, the LPA can better realize the role its policy plays in stimulating or inhibiting private development.

Prepared By: REAL ESTATE RESEARCH CORPORATION

- More buyers can be expected to patronize the downtown area, enhancing the profitability of many of the existing establishments.
- The public image of a stagnant or decaying downtown may be improved considerably.

The task of securing major new retail development appropriately involves persons of the most stature, experience, and power within the community. At the very least, the involvement of such persons indicates to the potential developer that the city strongly appreciates the significance of his parcel. Furthermore, such key persons can often identify or authorize special incentives to persuade retailers to locate there. Downtown merchants should be especially eager to encourage the prospective developer in whatever way they can. Their unified and firm commitment to maintaining viability in downtown retailing can be evidenced by their insisting on high standards of appearance for stores, carrying out intense promotional activity, staying open some evenings of the week, ensuring safety on the streets, and persuading the city to continue to improve downtown parking. Such signs of initiative on the part of downtown merchants may be a constructive influence in the midst of negotiations with a major retail developer.

It is important that key leaders and LPA staff present a "united front" in negotiating with potential developers. This requires effective communication among the city's various participants prior to meetings with the prospective developer. Ideally, the LPA's contact and coordination with key local leaders should be an ongoing process rather than one isolated instance.

- 12A. Even when an LPA's marketing program is skillful and aggressive and site and project improvements have been well planned and efficiently implemented, adverse conditions beyond the LPA's control may be impeding disposition. Sometimes these are attributable to national trends, sometimes to singular local conditions or events. Examples of such factors that might delay disposition of retail land are as follows:

National Trends

- Periods of tight monetary conditions.
- The trend toward new suburban shopping centers.
- The completion of circumferential expressways and of additional radial expressways.

- Residential flight to the suburbs.
- Rising crime rates in inner-city areas.
- Comparatively high tax rates to support central-city services.

Local Conditions or Events

- Sluggish economy and general lack of investment in the downtown area.
 - Lack of convenient and inexpensive employee parking in the downtown area.
 - Traffic congestion in the downtown area.
 - Relatively poor access to the CBD.
 - A general image of obsolescence in the CBD.
 - Departure of major retail operations from the downtown area.
 - Singularly high perceived crime rate in the central area.
 - Lawsuits regarding condemnation or plan changes.
 - Local opposition to the urban renewal program or to a specific project.
 - Racial disturbance in or near a project area.
 - Intense and/or long-term labor problems in the city.
 - Failure of city, state, or federal agencies to implement projects around which the urban renewal plan has been conceived (e.g., federal and state highway projects).
- 12B. Although many of the above problems and trends cannot be changed by the LPA, even with excellent support on the part of the city and of HUD, some can be expected to correct themselves in time, and others can be mitigated by local action.

We believe it is of the utmost importance to emphasize that although national and local trends that are generally unalterable on a near-term basis may greatly complicate disposition, they can often be overcome in relation to specific projects if they are identified and

dealt with skillfully. Generally speaking, such trends are not an excuse for inactivity regarding the preparation and marketing of land. Nevertheless, in some cases a proposed reuse will have to be changed if the LPA is trying unproductively to "buck the trend", or the LPA will have to await a change in the trend before resuming full-scale marketing efforts for the originally designated reuse.

Among tactics that have helped to offset negative local or national trends are the following:

- Applying pressure on the city by the LPA and downtown interests to substantially improve downtown parking and to maintain excellent police protection and clean-up service.
- Enlisting the aid of local news media to "accentuate the positive" regarding the downtown area and to practice restraint in reporting negative incidents.
- Bringing together local leaders and merchants to obtain a broadbased commitment to reviving the downtown area. When merchants are united and are willing to make contributions to promotion, rehabilitation of facilities, and other positive activities, the chances of reviving the downtown commercial area are greatly enhanced. The pedestrian shopping malls we mentioned previously could not have happened without such cooperation and initiative. Similarly, the principal financial group in the city, if unified and earnestly desirous of revitalizing the downtown core, has in many cities been able to turn the tide in favor of the CBD.
- Using the time while trends are delaying disposition to complete public improvements to set the stage for later marketing.
- Recognizing when originally planned public improvements are not adequate to generate hoped-for commercial development. The time may be ripe to plan new, more ambitious public improvements or to reduce project goals and standards, and focus on the objective of speedy implementation.

All of these approaches have proven effective in cities RERC studied, and numerous other examples of tactics to offset disadvantageous conditions are mentioned in other parts of this report.

- Hold Land for Future Marketing

There are certain conditions under which the decision to hold retail land for future marketing presents itself as a necessary or preferable temporary course of action. Examples of such circumstances are as follows:

Necessary

- Extremely tight monetary conditions have rendered a fast rate of absorption highly improbable; the focus in marketing should temporarily be limited to preliminary discussions with potential reusers.
- City, state, or federal street or highway improvements that are integral to the project area's functioning have been postponed or considerably altered, and the LPA cannot control their timely implementation.
- Serious crime within or near the area has temporarily stigmatized the project. (This often causes heightened perception of danger, which has the same effect as real danger.)
- Major alterations in the urban renewal plan are underway, and ultimate decisions will affect the parcel(s).

Preferable

- A desirable potential user needs several months to finalize future plans and arrive at a decision to locate or expand in the project area (but has given evidence that he is not simply stalling).
- A major public institution has dire need for temporary use of certain parcels.
- A number of existing and proposed businesses and institutions need surface parking until a developer or the city builds parking garages.
- The desirable future development of certain parcels will have to be determined when the precise nature of development on other parcels has been established.
- Strong efforts are still being made to attract a single developer for a number of major parcels, and this goal appears to be realistic.
- The city's systematic plan calls for temporarily diverting a certain type of development to another urban renewal area in order to achieve maximum impact.

13. When the temporary tactic of holding land for future marketing is necessary or preferable, there are a number of tests that should be applied regarding the use or non-use of the land during the interim period. The eventual disposition of urban renewal land is basically an economic activity, and the economic return of cleared land while its disposition is unavoidably delayed should be a prime consideration. When parcels are clearly doomed to remain vacant for several years' time, an interim use may be advisable. Whenever possible, such a use should yield net income or at least offset maintenance and carrying costs. When an income-producing use is impossible or potentially detrimental to future sale or to the existing environment, the land should be left vacant (but maintained) or should be temporarily devoted to a use that will serve the public interest and enhance the marketability of other disposition parcels in the project area.

An interim use is not feasible as far as the LPA is concerned if it involves:

- Clearly unretrievable monetary expenditures without the probability of enhancing marketability in other portions of the project area.
- A strong chance that the interim use will not be able to be terminated when re-marketing is advisable (for example, if a neighborhood might object publicly to the subsequent sale of an interim playground).
- The time is ripe, or soon will be, for the sale of the given parcel(s), and the interim use will jeopardize marketing.

The following tests should be applied when considering interim use.

- 13A. If a suitable interim use will produce net income to the LPA, it is ordinarily the most desirable use. The best example of such use is the provision of badly needed surface parking facilities in a downtown area. Potential retail sites will often be strategically located for this type of interim use. Often a CBD sorely needs an abundance of temporary parking facilities in addition to firm plans for future supportive parking in order to interest prospective commercial and office developers. Such temporary parking lots, with minimal site preparation, will usually produce net income and enhance the redevelopment potential of the downtown area.

- 13B. When suitable net-income-producing uses cannot be found, it may prove advisable to temporarily allow free or low-cost use of the land to support existing uses. In the case of downtown retail land, for example, one or more firms adjacent to the vacant land might be in need of temporary private parking space, and the gesture of the LPA to allow such use for a nominal fee may result in important benefits for the project area.

We have seen several downtown projects in which the exterior renovation of existing retail structures moved slowly, though such remodeling was important to the image of the project area. The combination of an LPA's persistent efforts to bring about a willingness to renovate on the part of the retailers, along with such gestures of good will by the LPA as allowing interim use of space for parking, may be a tool to bring about better cooperation. The temporary nature of such uses must be made clear from the outset, however, and the LPA must not be susceptible to threats by the interim user(s) when the time comes to terminate the use.

- 13C. If certain parcels can be devoted to an interim use that will serve the public interest without jeopardizing their sale when the time is right, such use may be preferable to protracted vacancy. In such a case, minimal-cost leasing or use in exchange for the service of maintenance are in order. Examples that we encountered in the course of this study include the temporary use of cleared land for tot lots or playgrounds, and the provision of parking for university students and employees. Pocket parks within the downtown area, tastefully though inexpensively furnished, can do much to create a feeling of pleasantness within a rather intense urban environment. An excellent example of the manner in which such areas enhance the CBD can be seen along the new pedestrian walkway in the Central City Urban Renewal Area in Evansville, Indiana. Such interim use may help to produce greater regard for the urban renewal program within the community and increase the marketability of nearby sites.

14. The term "land banking" refers to the voluntary setting aside of vacant improved land with plans to market it at a future date. This may be a desirable approach regarding certain parcels or tracts for the following reasons:

- 14A. A developer or developers may submit an integral plan to redevelop several acres in a desirable fashion, but they may not be ready to enter into a contract to

purchase the entire acreage until certain portions have been developed. Although our studies have shown that such comprehensive development schemes often fail to materialize, it is sometimes wise to landbank unsold and uncommitted portions of the planned area while the developer is allowed to proceed with the initial phases of his proposal. Situations of this type require month-to-month vigilance on the part of the LPA to avoid wasting years of potential marketing time regarding the landbanked parcels. The greater the probability of eventual realization of the entire development, the more time that can be risked for the land in question.

- 14B. Careful analysis regarding some parcels may reveal that a waiting period is expedient by reason of the likelihood that the marketability for favorable reuse of the site will increase considerably in the foreseeable future. We have used the words "careful analysis" and "likelihood" in order to differentiate such judgments from the mere use of soft market conditions as an excuse to wait passively for a buyer to walk in the door.

A good example of carefully calculated land banking was evident in one of the cities RERC studied. Two urban renewal projects were directly competing for the same types of reuse on comparable sites. Rather than allow a haphazard dissipation of potentially catalytic redevelopment, the city made a clear choice to direct marketing efforts and supporting facilities to one of the projects, while holding some land in the other project for intensive redevelopment when the market caught up with the available inventory of land.

- 14C. A site may be earmarked for a very desirable and highly probable development, which for various reasons cannot occur for a period of some months or years. For example, we have seen a well-planned civic center area that depended for its completion upon decisions of four different governmental entities to build office structures within the area. There was strong reason to believe that, if the land could be kept open for such use, the necessary decision would eventually be made. The deteriorated condition of many structures within the area mitigated against delaying demolition until the governmental entities were ready to build.
15. The "last resort" in attempting to market urban renewal land is to end up giving it away. This alternative may have to be considered regarding a few parcels. When the parcel in question is relatively insignificant in value, when there is virtually no hope of selling the

land in the foreseeable future for any suitable use or at any price, and when a person or organization can be identified who would maintain the land in good condition and use it in an acceptable manner, donating the land may prove the most economical course of action. Cases of such donation were extremely rare in the cities we studied, but occasionally such action may be appropriate.

8

INADEQUATE INTEREST IN OFFICE LAND

A. Statement of the Problem

One of the key general problems encountered in urban renewal land disposition is private developer lack of interest in the cleared and improved sites. Once projects are ready for marketing, disposition just has not occurred as rapidly as most LPAs have expected. Developers have been hesitant about undertaking projects on renewal land for many reasons, including the following:

- Because the city and metropolitan area are declining and there is little replacement demand for space.
- Because new construction has traditionally occurred in the suburbs and the urban renewal areas are unfamiliar turf for developers.
- Because the local market has been temporarily overbuilt.
- Because builders are unwilling to take the added risks of pioneering in urban renewal areas, especially with the attendant restrictions and red tape.
- Because the land prices are not low enough to offset development risks.

- Because only a limited number of developers have the experience and financial capability to undertake some of the planned large projects, and the LPAs have not contacted them, or have not approached them persuasively enough.
- Because the LPA is not adept in dealing with private developers.
- Because some of the planned projects are out of scale for their local market.

In addressing these and other market problems, we have focused on separate land uses in five different chapters. This chapter concerns office land. Other chapters deal with residential, industrial, retail and hotel-motel land. Though there is considerable repetition among the five chapters concerned with urban renewal reuse market resistance, large sections of each chapter are devoted specifically to one reuse. With the text on this general subject divided into five chapters, readers can concentrate on their problems with one particular reuse without being distracted by questions and answers relating to other uses. Persons who have problems in marketing properties of several types can easily skip over repetitive material in the various chapters they are using.

B. Basic Strategy Alternatives

There are two basic alternative ways of trying to deal with the problem of inadequate interest in office land. These may be summarized as follows:

- Continue to Market Land Under Present or Modified Reuse--This involves intensifying and/or redirecting the marketing program to take full account of local market conditions, the potential for the site, the needs and realistic demands of an office developer, and possible tradeoffs or assistance that the LPA could offer a potential developer.
- Hold Land for Future Marketing--This alternative involves consideration of interim uses, leasing of sites for temporary use, land banking the property in anticipation of improvement in market conditions, and the "last resort" of donating the site to eliminate LPA maintenance costs.

Tests to determine which of these two alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 12 tests is stated as a question

PROBLEM: INADEQUATE INTEREST IN OFFICE LAND

basic alternatives	tests	findings	specific actions
Continue to Market Land Under Present or Modified Reuse	1. Is the current plan for unsold office inventory compatible with development that has already occurred within the project?	Yes No	Apply other tests in this set. Consider plan revisions. See Chapter 13 (on inflexibility of project plan).
	2. Have the current and projected markets for office land and competitive land prices been reviewed?	Yes No	Apply other tests in this set. Apply tests 2A and 2B.
	2A. Does the LPA have current and realistic information regarding the strength and characteristics of the market for office land?	Yes No	Apply other tests in this set. Prepare current and realistic market analysis for unsold inventory.
	2B. Has land pricing been reviewed?	Yes No	Apply other tests in this set. Prepare current and realistic price schedule relying upon land residual appraisal approach. See Chapter 5 ("Overpriced Land").
	3. Have the following actions been taken to put the sites in good and marketable condition?		
	3A. Is all trash regularly removed?	Yes No	Apply Test 3B. Arrange for regular trash removal.
	3B. Have all structures scheduled for removal been demolished?	Yes No	Apply Test 3C. Contract for demolition.
	3C. Are sidewalks, curbs, and on-site utilities in good condition?	Yes No	Apply Test 3D. Contract for repairs.
	3D. Is regular surface maintenance of sites provided?	Yes No	Apply other tests in this set. Arrange for grass cutting, etc.
	4. Have project area public improvements been made (e.g., street widening and paving, curbs, gutters, street lighting, storm and sanitary sewers)?	Yes No	Apply other tests in this set. Make improvements. Consider staged program of physical improvements when the designated area is extremely large.
	5. Are the promotional efforts appropriate for the size and scale of the intended development?	Yes No	Apply other tests in this set. Prepare polished promotional materials; encourage existing redevelopers to participate in promotion.
	6. Has the LPA tried unsuccessfully to attract users for major office sites?	Yes No	Apply Test 6A. Apply other tests in this set.
	6A. Has the LPA contacted major local corporations potentially interested in expansion or now occupying obsolete space?	Yes No	Apply Test 6B. Contact all large corporations and encourage civic leaders to participate in marketing.
	6B. Have major local financial institutions without new buildings been contacted?	Yes No	Apply Test 6C. Contact all such institutions and encourage civic leaders to participate in marketing.

PROBLEM: INADEQUATE INTEREST IN OFFICE LAND

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
	6C. Has the LPA contacted local, state, and federal government agencies that might be in need of expansion space?	Yes No	Apply Test 6D. Contact such agencies.
	6D. Has appropriate advertising been undertaken?	Yes No	Apply other tests in this set. See Chapter 24 (on advertising).
	6E. Has the LPA coordinated its marketing efforts with local organizations attempting to draw investment and new corporations into the area?	Yes No	Apply Test 6F. Develop close working relationship with all existing organizations that promote growth for the city.
	6F. Has the LPA contacted brokers specializing in office land sales?	Yes No	Apply Test 6G. See text regarding this test.
	6G. Has the LPA carefully selected the method of offering office parcels?	Yes No	Apply other tests in this set. In light of the characteristics of parcels and the type of developer one is seeking to attract, evaluate possible methods of offering. (See Chapter 3.)
	7. In marketing office sites, has the LPA considered reducing density requirements for vacant parcels?	Yes No	Apply other tests in this set. Consider potential marketing opportunities; lower density.
	8. Are negotiations being conducted effectively?	Yes No	Apply other tests in this set. Apply Test 8A and 8B.
	8A. Are negotiations being conducted by staff members knowledgeable about financial and market elements of office development?	Yes No	Apply Test 8B. See Chapter 18 (on insufficient disposition staff capabilities). Apply Test 8B.
	8B. Are key public and private leaders being asked to participate in negotiations with potential developers of major parcels?	Yes No	Apply other tests in this set. Encourage participation but coordinate efforts to assure presentation of "united front" to potential developers.
	8C. In marketing or negotiating regarding office sites, has the LPA been willing to provide facilities/amenities or to reduce design controls claimed by potential redevelopment to be necessary to make a project financially feasible?	Yes No	Apply other tests in this set. Consider city provision of parking facilities, plazas, etc. Consider relaxing design restrictions (see Chapter 13).
	9. Are there adverse conditions beyond the LPA's control:		
	9A. That are delaying project marketing? (see text)	Yes No	Apply Test 9B. Apply other tests in this set.
	9B. That are temporary and correctable? (see text)	Yes No	Perform as much preliminary marketing as possible until conditions change. Apply other tests in this set.

PROBLEM: INADEQUATE INTEREST IN OFFICE LAND

basic alternatives	tests	findings	specific actions
Hold Land for Future Marketing	<p>10. Are there feasible interim uses?</p> <p>10A. Are there interim uses that would produce net income, such as parking lots?</p> <p>10B. Are there interim uses that would be supportive in office areas, such as pocket parks or tot lots or small parking lots?</p> <p>10C. Are there other situations in which interim uses would serve the public interest better than continued vacancy?</p> <p>11. Is holding the land in a land bank desirable because:</p> <p>11A. The site is considered for a specific future development with a high probability of occurrence or a planned date?</p> <p>11B. Future market conditions are likely to improve so as to make the sales price and intensity of redevelopment more favorable?</p> <p>11C. There is an apparent reuse for the site in the foreseeable future?</p> <p>12. Could sites be donated to someone who would maintain them in good condition or use them in an acceptable manner?</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p>	<p>Apply Tests 11A and 11B. Apply other tests in this set.</p> <p>Analyze market for interim use(s). Apply Test 11B.</p> <p>Consider such uses. Apply Test 11C.</p> <p>Consider such uses. Apply other tests in this set.</p> <p>Hold in land bank and maintain site until scheduled date of use. Apply Test 12B.</p> <p>Hold in land bank and maintain site. Review semi-annually. Apply Test 12C.</p> <p>Reconsider earlier tests. Apply other tests in this set.</p> <p>Consider donation, especially if maintenance costs are high. Place in long-term land bank and maintain in good condition.</p>
Prepared by Real Estate Research Corporation and RTKL, Inc.			

that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of inadequate interest in office land read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Inadequate Interest in Office Land." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the two alternatives are included as subheadings to clarify the context of the discussion of the tests.

- Continue to Market Land Under Present or Modified Reuse
 1. If land planned for office use is attracting little interest among potential developers, various aspects

of the project's planning should be re-examined. When office reuse parcels have remained unsold over several years' time, other portions of the project area, or surrounding land uses, may have undergone considerable change. Sometimes these changes had been foreseen in the original land use plan. But often the actual redevelopment that has taken place varies significantly from earlier expectations in terms of type or character of the reuse. For example, since execution began, the LPA may have reduced the amount of retail-commercial land in a downtown project area and increased public open space and/or office reuse. Also, the internal or surrounding street system may have changed in a manner that had not been envisioned in the original plan. Furthermore, the quality of the redevelopment that has taken place might be less impressive than the LPA's hopes in the initial stages of the project, requiring that the LPA "lower its sights" regarding the reuse potential of remaining land if its marketing efforts are to be realistic. This lowering of sights may involve several actions treated in subsequent parts of this chapter. On the other hand, the failure to note recent and current changes in the project area may in effect blind the LPA to more favorable disposition opportunities that have come about since execution began.

Thus, the unsold inventory of office land should be re-evaluated in terms of completed or firmly committed developments and changes within and surrounding the office reuse area. Conducting an effective marketing program for unsold sites usually requires a specific concept of the types of users who should be interested in locating there.

Actual examples of events occurring during execution that necessitated changing the type of intensity of reuse for various parcels are as follows:

- The state announces a firm commitment to finance a new convention center, hitherto unexpected, within the project area.
- Local businessmen, with federal help, generate a pedestrian shopping mall in the downtown area.
- A proposed highway fails to materialize.
- A proposed public facility of major significance is constructed elsewhere.

- A major department store(s) leaves the CBD to locate in the suburbs.
- A major bank or corporation implements a development of unique prestige.

Re-evaluating unsold parcels in terms of recently established surrounding uses may reveal the need for basic changes in the urban renewal plan. The pitfalls of an inflexible plan are discussed at length in Chapter 13.

- 2A. Prior to the approval of Loan and Grant - Part II, a marketability study and reuse appraisals were completed for each project and submitted to HUD. At that time, the planned reuses had been declared marketable, and an estimated rate of land absorption was normally included. Nevertheless, if sizeable portions of land designated for office reuse have remained unsold over a period of years, the original market study has probably become outdated. Perhaps it was not realistic from the beginning.

We have found that, for various reasons, many LPAs placed little stock in the conclusions and recommendations of the original market analysis. We believe such market analysis is important, and when the land has remained unsold over several years' time, the LPA should carefully review the original market study to see whether developments and trends that have taken place in the interim may have radically changed the marketability of certain reuses in the project area. The question of the marketability of various uses on a particular site is so basic that promotion, marketing efforts, and public improvements can be wasted if the market simply is not there and cannot reasonably be expected to appear in the future.

If, after its review of the earlier market study, the LPA suspects a pronounced absence of current and future marketability for the proposed reuse, we recommend that reliable and up-to-date market information be developed and analyzed by an appropriate professional person or firm. Such a re-evaluation should include recommendations for an alternate, more marketable reuse if the originally designated reuse is found to be unmarketable. A study of this type should also provide a probable rate of absorption regarding unsold land in light of current and expected developments and trends.

This can serve to guide the LPA's expectations for the rate of disposition. The Agency must realize, however, that the actual rate of absorption will depend significantly on the quality of its marketing effort.

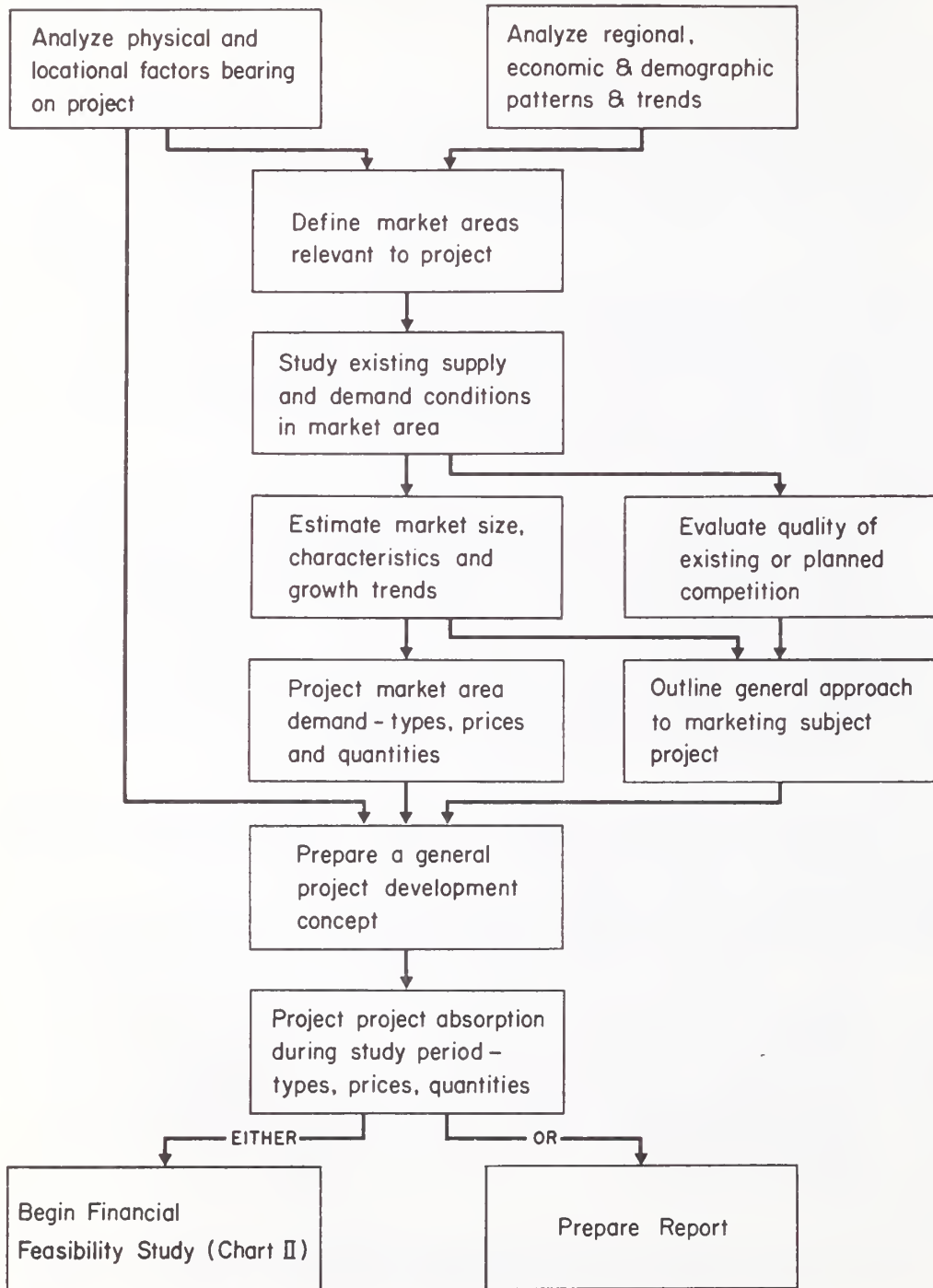
Even when the market for office land is relatively strong and the price of the land is competitive, determination of the type and intensity of development that will be financially feasible on a given site requires further technical consideration. Thus, it will often be wise for the LPA to request a feasibility component within the market study to indicate the scale and character of development that the LPA can realistically seek and the land price that a typical developer could afford to pay. Especially in the case of speculative development of office space for lease, the market and feasibility study itself may prove useful to the LPA for promotional distribution to potential developers.

It is important to note here that the LPA should not apply pressure upon the market analyst to recommend a high type of reuse just because such a reuse fits ideally into the project plan and will generate higher revenue. If the market conclusions are virtually dictated by the LPA rather than by the data, method, and objective judgment of the analyst, a decade can easily be lost in attempting to dispose of the land according to a favorable but financially unrealistic redevelopment scheme.

The chart on the following page indicates the components of a typical market study. The feasibility component is described in Test 8 of this chapter.

- 2B. The question of land pricing can be critical regarding office building sites, especially if the proposed structure will be a speculative, multi-tenant facility. The fundamental problem of overpriced land is discussed in detail in Chapter 5, and the advantages to be gained in reappraising the unsold land with a land residual appraisal approach are presented there. The significance of the price of land in rendering office development economically feasible will be illustrated in Test 8 of this chapter.
3. It is the LPA's responsibility to see that the stage is set for showing available parcels to their best

ORGANIZATION OF WORK ELEMENTS: MARKET ANALYSIS



Prepared By: REAL ESTATE RESEARCH CORPORATION

advantage. If the site or the overall project area has a negative appearance or if the basic functional improvements have not yet been made, potential office developers may be repelled without the LPA ever knowing that they were interested.

In one of the test case cities we studied, several local leaders described the frustration of showing their riverfront renewal area to national developers while the extensive physical improvements were still underway in the project area. With a railroad line to be relocated, a highway under construction, a massive electrical substation being modified, and a flood-wall under construction, the project area presented an enormously negative impression to prospective developers, and for years no outside developer would commit himself to the project. Although this example involves an unavoidable temporary condition, it serves to illustrate the strength of the negative reactions that an unsightly project imparts to potential purchasers.

A developer of a major office building can be expected to be extremely sensitive to the attributes of a potential site and its surroundings. In many cases, he will eventually be leasing Class "A" office space to prosperous tenants at the highest rent the market will bear. He, therefore, needs a Class "A" site. The following activities on the part of the LPA are important to set the stage for marketing by allowing a prospective developer to envision the site's real potential:

- Regular trash removal.
 - Timely demolition of structures to be removed.
 - Regular surface maintenance.
 - Attention to repairs or addition of sidewalks, curbs, and on-site utilities.
4. For many reasons, the implementation of public improvements is of fundamental significance in preparing the way for effective marketing of land, and this applies to office as well as other types of parcels. The visual and functional qualities of the site and the surrounding area are of major concern to a potential office developer. If basic project improvements (new and improved streets, street lighting, storm and

sanitary sewers) have already been completed or at least are well underway, a prospective developer can be certain that his project will not be delayed or inhibited by the failure to implement public improvements. Plans and promises are not very effective when an LPA is trying to encourage major investments.

Regarding major office, retail, and luxury apartment developments, it is typical for the city to have planned a major public facility that is calculated to enhance the project area and to act as a catalyst for securing high-quality surrounding development. We must emphasize that such facilities should be completed or well underway before the LPA can hope to engage in aggressive marketing of prime sites. Particularly when the LPA is attempting to interest a major national developer, the psychological and visual impact of a city that has accomplished what it set out to do can be the LPA's strongest marketing tool. Conversely, a city's failure to accomplish promised investments in its urban renewal areas constitutes a poor context for marketing office land.

In the case of a singularly large project area, public improvements cannot be installed simultaneously throughout the project. Since marketing efforts are weakened when planned physical improvements have not yet been made in an area, the LPA might consider staging its marketing in accordance with installation of public improvements and facilities.

5. We have found that renewal agencies throughout the nation vary widely in their use of promotional materials and approaches. The importance of good promotional materials and use of a variety of marketing techniques and approaches are discussed in Chapter 3.

Regarding promotion of available office land, we believe that an attractive and informative brochure to advertise available land will pay for itself in terms of accelerating disposition. Effective promotional material need not be expensive but should be adopted to the character of the planned reuse of the area. In some instances, available urban renewal land may hold strong potential for attracting a national office headquarters into the city; if such is the case, promotional materials should be of high quality and should be widely circulated by mail. If the land is of local interest only, simple but well prepared materials will be sufficient.

Besides the brochure, leaflet-type circulars can be used effectively regarding individual parcels planned for office use. An attractive map of the site, illustrating access and surrounding uses, can be a valuable tool to interest potential office developers and real estate brokers. Portions of such materials can also be used for newspaper or magazine advertisements.

A number of persons and organizations outside the LPA should be asked to help promote urban renewal office sites. Political, business, and civic leaders should be aware of the enormous significance that a major new office tower has in signalling the vitality of the CBD area. We have seen a number of cities, for example, that floundered in their downtown renewal efforts until a major local financial institution committed itself to building an office tower. Conversely, when there is no financial institution in the city that has seen fit to make a sizeable investment in the downtown area, out-of-state investors cannot be expected to show interest in the city.

In most cities, there are local or state organizations whose major function is to stimulate economic growth in the area. A Chamber of Commerce is the most typical such agency, but in many cities there are a number of promotional groups with differing emphases and varying levels of promotional activity. In Louisville, Kentucky, for example, we found three civic organizations that engaged effectively in promoting the city regionally and/or nationally. It is important for the LPA in any city to be familiar with such organizations and to maintain contact with their officials. For example, where the promotion of office sites and the attraction of new corporations is engaged in by a local organization, available urban renewal sites should be included in advertisements. Often the prime sites for new office buildings in the downtown area are on urban renewal land.

An up-to-date market study of the demand for office space, produced at the LPA's request by a reputable consultant, has been used successfully by a few agencies as a major promotional tool. Such a document is often more meaningful to a potential developer of speculative office space than the usual descriptive promotional materials.

"For sale" signs should be placed on available office sites and moved periodically to different portions of the site. When office sites are located in the CBD ,

large numbers of local and out-of-town people can be expected to see the signs.

6. Besides more generalized promotional activities that attempt to create interest somewhat at random, direct and active marketing of urban renewal land is necessary regarding most parcels if disposition is to proceed with the kind of efficiency that characterizes private enterprise sales efforts. The marketing approaches discussed below are basic in attempting to dispose of office sites.
- 6A. The LPA should contact all major local corporations that might be in need of additional office space in order to expand, or that might wish to locate in new space to replace their obsolete facilities. Contacts with such corporations should be made by persons within or outside the LPA who are highly skilled in the field of real estate activity. Oftentimes an initial contact that results in a negative response on the part of the corporation may actually plant the seed for serious consideration by the firm in the future. Furthermore, any developer considering building speculative office space is intensely interested in those firms that have stated a near-future desire for new and high-quality office space. In its contacts with major corporations, the LPA may thus become aware of a concrete market for new space that can subsequently help to attract a major developer.
- 6B. In the case of major parcels that have a singularly desirable location for office development, the LPA should directly contact the city's major financial institutions that are not housed in new buildings of their own. Such contact might well be made by local lenders outside the LPA since the positive significance of a new office tower in the CBD cannot be exaggerated. Major financial institutions may include banks, mortgage companies, insurance companies and savings and loan associations. The larger institutions of these types in a city can be expected to have, or be able to raise, the capital for a new, single-tenant or multi-tenant office structure. Perhaps more important, such organizations are usually most desirous of enhancing their image and prestige within the local community.

In city after city during our research for this assignment, we discovered that the major catalytic developments that brought about a favorable turning point in urban renewal projects were launched by local financial institutions or major local corporations that, in addition to simple profit-motivation, were eager to be recognized as having provided a major contribution within their community. Such monumental developments often serve to establish the special identity of an urban renewal area and directly pave the way for additional, though less ambitious, development.

The first contact with major corporations and financial institutions regarding office sites should not be the last. The desire for unique civic recognition must be allowed to grow within such major organizations, and even after initial rejection, the door should be kept open for further contact by the LPA or local leaders.

- 6C. Governmental bodies are usually major users of office space within the city. Where office sites are concerned, the first potential user to be considered should be the City itself. Next, the office needs of county, state, and federal agencies should be considered, and they should all be contacted regarding their interest and financial capabilities. Even though government buildings are often less impressive than those of the private sector, they may nevertheless constitute a crucially important use regarding the disposition of office sites.

The LPA should be alert to all governmental construction being contemplated in the metropolitan area. Many times, large facilities (especially federal ones) that were planned originally for suburban locations can be attracted to the CBD when the LPA and civic leaders apply pressure for such relocation.

- 6D. Although newspaper and magazine advertising of urban renewal sites characteristically has been disappointing in its results, we have seen notable instances in which such promotional efforts have helped to secure a major new office structure for the city. If the first marketing efforts on the local scene regarding a prime office site have not been encouraging, we advise the LPA to place a well prepared advertisement in a major national business publication. Such advertising is too expensive to engage in frequently, but the stakes may be high regarding a major parcel

or group of parcels, and the chance of interesting a national developer or corporation justifies at least one such advertisement every two years. The probability of favorable results from such advertising is related to the comparative appeal that a particular city has in the eyes of national investors. One LPA director whose record in disposing of land is favorable told us that the LPA placed ads in the local newspaper regarding prime sites once a week -- on the weekday that downtown hotels reported their highest average occupancy.

The use of advertising is discussed more thoroughly in Chapter 24.

6E. Related to the previous point and to Test 5 above, we emphasize again the importance of establishing a working relationship with local organizations that promote economic growth for the area. Their experience and contacts at the regional and national levels may prove to be of immense importance in attracting major developers to consider building on urban renewal land in the downtown area.

6F. Regarding office land for sale, we have emphasized the importance of direct contact with major local financial institutions and corporations by the LPA and/or prestigious local leaders. We have also emphasized the importance of assessing governmental office needs and contacting governmental entities that might be potential users. These are fundamental first steps in marketing office land.

If the LPA has chosen not to use real estate brokers from the beginning of execution and if the procedures described above have been followed but office sites remain vacant for more than a year with no apparent interest, serious efforts should be made to involve real estate brokers specializing in office land sales to aid in marketing the land. Ordinarily, such efforts will have to go well beyond the "general mail-out" approach and should involve personal contact with brokers at least by telephone. Well-prepared promotional materials can aid the broker, and the ready availability of further descriptive and explanatory material from the LPA will provide encouragement for broker involvement. The lack of such serious efforts to secure the professional assistance of brokers will almost inevitably result in minimal broker participation in the sale of urban renewal land. Such has been the case in almost every

city to date. Nevertheless, we encountered some specific cases in which a major downtown office development was partially a result of a skilled broker's efforts.

- 6G. In relation to the particular type of reuse, the size and other characteristics of the parcels in question, state and local legislation, and other conditions that may be unique to the locality or to the parcels, the LPA should carefully consider the positive and negative features of the six basic methods for offering urban renewal land. These methods are described in Chapter 3.

In some cities, the LPA never varies its method of offering parcels. Especially in the case of those parcels that have proven difficult to dispose of, we believe the LPA should weigh the advantages of the other possible methods to be certain they have chosen the one best suited to the particular case at hand.

7. If office sites have been actively and skillfully marketed, but several years have elapsed with no developer in sight, it may be wise for the LPA to moderate its aspirations regarding the required density of development on the site, especially in the case of a consistently "soft" market for office space. Site coverage requirements, height requirements, and almost certainly the minimum price of the land may have to be reduced in order to market the site with reasonable efficiency. Test 8 below contains a sample feasibility pro forma that may help to dramatize the sensitivity of office development to size of facility, market for space, cost of materials, interest rates, and competitive rental rates.
8. Once a potential developer has expressed interest in a parcel or parcels, the process of negotiation begins. If negotiation is successful, the land in question is placed under contract. When circumstances result in delays in development, extensions may have to be granted or the contract terminated. In such cases, negotiation can technically be said to continue until the land is officially disposed of or the contract is terminated.
- 8A. A person conducting negotiations with potential developers of office land must be aware of the financial and market elements that are of fundamental importance in rendering office development feasible.

In some cases, a major corporation or institution will build an office tower more for reasons of image than profit. But the typical developer of multi-tenant space is acutely conscious of the "bottom line," or the cash return on his investment. We have often heard leaders in a city say there is a strong demand for more first-class office space. But the important factor for the developer is, "Will they pay a high enough rental rate to justify the risks of development and return a desirable profit?" As the cost of materials, labor, and construction soar, the rental rate necessary to return a profit may be far higher than that of competitive office space. If the LPA disposition staff is inexperienced regarding the technical and singular aspects of negotiating with office developers, the suggestions contained in Chapter 18 may prove helpful.

To illustrate the important part that market and financial elements play in guiding the decisions of a profit-making enterprise, a pro forma investment analysis technique is often used to analyze the sensitivity of a proposed investment to various factors. This technique delineates the land cost, construction cost, and other expenses involved. Mortgage financing alternatives are evaluated to determine which type of loan a developer can obtain and the amount of equity or cash on hand that will be required. Then, a cash flow projection is made showing projected income, projected expenses, annual debt charges (payment of the loan), and a resulting cash flow before income taxes and the effects of depreciation and tax shelter. If all the parameters assumed in the pro forma are correct, the analysis yields an accurate profile of what economic gain (profit) can be expected from the total investment in land and construction costs.

It should be noted that investors carefully weigh the risk involved before determining an acceptable rate of return on an investment. Thus, a return or profit of 10 percent on a real estate investment probably will not attract an investor if he or she can, for example, obtain 10 percent on a government bond that has no risk.

In the following table, we have set forth an investment analysis of an office facility to describe these variables. For comparison, a desirable rate of return (profit) before taxes is assumed to be in the

range of 12 to 15 percent. Anything above that can normally be considered excellent.

8B. In the case of prime sites suited to major office development, every effort should be made to involve key public and private leaders in negotiations with potential developers. Ordinarily, the addition of a major new office structure is of great significance in the eyes of local officials and businessmen. It means that:

- A major investment, hopefully triggering further investment, will reinforce the downtown area and increase the tax base.
- An established institution or corporation has chosen to remain in the downtown area and invest and expand, or a new corporation has chosen to locate in the city.
- If the building is to have some multi-tenant space, such space may retain more firms in the downtown area or may help to draw new firms from elsewhere.
- During construction and after construction, there will probably be a net addition of jobs in the area.

The task of securing new office development deserves the attention of persons of the most stature, experience, and power within the community. At the very least, the involvement of such persons indicates to the potential developer that the city appreciates the significance of his proposal. Furthermore, such key persons can often identify or authorize special incentives to persuade the developer to proceed with his plan.

It is important that key leaders and LPA staff present a "united front" in negotiating with potential office developers. This requires effective communication among the city's various participants prior to meetings with the prospective developer. From the city's point of view, a major new office building on any suitable site within its boundaries is clearly advantageous, but the LPA must emphasize the merits of the site or sites for which it is responsible. The LPA is in a stronger position to insist upon this emphasis with local leaders if the initial interest arose by means of its own promotion and contact. Ideally,

INVESTMENT ANALYSIS OF
PROJECTED OFFICE FACILITY
(36,000 Net Rentable Sq. Ft.)

A. INVESTMENT

Land Value @\$2.50/sq. ft.	\$ 215,500
Construction Cost: 42,350 gross sq. ft. @\$25/sq. ft.	1,058,750
Site Improvements (including parking and landscaping)	<u>42,000</u>
Total Investment	\$1,316,250

B. CASH FLOW BEFORE INCOME TAX

Effective Gross Income	\$ 242,300
Gross Potential Income: 36,000 net rentable sq. ft. @\$6.50 per sq. ft.	\$234,000
Gross Potential Parking Income: 100 spaces @\$20 per month for each space	20,000
Less: Vacancy and Rental Loss at 5%	<u>11,700</u>
Expenses	97,320
Includes operating expenses, utilities, leasing fee, management, insurance, maintenance, repair, and taxes @40.5% of effective gross income.	
Net Annual Income	<u>\$ 144,980</u>
Yield on Total Investment (\$144,980 ÷ \$1,316,250)	11.01%
Annual Debt Charges (\$1,316,250 × 75% = \$987,190 loan @9½% for 25 years; Factor .1049)	<u>103,560</u>
Cash Flow Before Income Tax	<u>\$ 41,420</u>

C. RATE OF RETURN BEFORE TAX

Equity Investment (\$1,316,250 - \$987,190)	\$ 329,060
Cash on Cash Return on Investment (\$41,420 ÷ \$329,060)	<u>12.58%</u>

Assumptions for the Sake of Example:

- 86,200 Sq. Ft. of cleared land @\$2.50/Sq. Ft.
- A 42,350 Gross Square Foot Office Facility @\$2.50/Sq. Ft.
- 100 surface parking spaces @\$20 monthly rental per space
- A 75% loan @9½% for 25 years.

Note that the above items are subject to variation by both region and time. For example, construction costs, maintenance costs, real estate taxes, etc., can vary monthly and will ordinarily differ by regional location. Even within a region, property taxes vary by municipality. These items can all be affected by policies of the LPA. For example, the following tables describe the effects of different values of land cost, costs of site improvements, and occupancy rates on profit.

INVESTMENT ANALYSIS OF PROJECTED OFFICE FACILITY

TABLE 1
EFFECT OF CHANGES IN COST PER SQUARE FOOT
OF LAND ON TOTAL COST AND RETURN ON EQUITY

Table 1 shows the effect of land cost on the equity return or profit. Obviously, marketability of the land depends in part on the appraised reuse value of land. If land disposition is slow, therefore, quite possibly the reuse value of the land should be re-evaluated and reduced as an incentive to development.

Land Cost Per Sq. Ft.	Total Cost	Cash Flow Before Income Tax	Equity Return
\$1.50	\$1,230,050	\$48,210	14.67%
2.00	\$1,273,150	\$44,810	14.07%
2.50	\$1,316,250	\$41,420	12.58%
3.00	\$1,359,350	\$38,030	11.19%
3.50	\$1,402,450	\$34,640	9.87%

TABLE 2
EFFECT OF CHANGES IN COST OF SITE
IMPROVEMENTS ON TOTAL COST AND RETURN ON EQUITY

Table 2 describes the effects of varying site improvement costs on equity return. Flexibility of desirable standards for site improvements such as landscaping, screening of parking facilities, lighting standards, etc., must be achieved during negotiation in order to obtain an attractive yet profitable development. The LPA must realize the ramifications of excessive design controls on profitability, and the developer must realize the role of the LPA in assuring an attractive development.

Cost of Site Improvements Including Surface Parking & Landscaping	Total Cost	Cash Flow Before Income Tax	Equity Return
\$ 22,000	\$1,296,250	\$43,000	13.26%
\$ 42,000	\$1,316,250	\$41,420	12.58%
\$ 62,000	\$1,336,250	\$39,850	11.92%
\$ 82,000	\$1,356,250	\$38,280	11.29%
\$102,000	\$1,376,250	\$36,700	10.66%

TABLE 3
EFFECT OF CHANGES IN AVERAGE OCCUPANCY
ON INCOME AND RETURN ON EQUITY

Table 3 describes the effects of varying occupancy rates on equity return. Through proper marketability analysis and the preparation of feasible plans, the LPA can aim for a scale of development which should achieve profitable levels of occupancy. Also, the LPA must realize that provision of public improvements and services is instrumental to desirable occupancy rates, thereby increasing the profit incentive for the development.

Average Occupancy Rate	Gross Income	Cash Flow Before Income Tax	Equity Return
100%	\$254,000	\$53,120	16.14%
95%	\$242,300	\$41,420	12.58%
90%	\$230,600	\$29,720	9.03%
85%	\$218,900	\$18,020	5.47%
80%	\$207,200	\$ 6,320	1.92%

The above three variables have been taken independently. Imagine the negative impact of an over-priced land parcel plus too many stringent design controls. Although these particular variables have been singled out, the LPA must also be aware of the impact of real estate taxes, maintenance costs, insurance and other variables which affect the return on investment.

Not noted in the previous analysis, lower overall costs tend to lower the amount of equity or cash on hand required, and less equity required can be a significant factor in stimulating development. It should also be noted that the ability to achieve an expected rental rate where applicable is a high priority in profitable development. The sensitivity of profit to expected rental rates, in addition to occupancy expectancy, is paramount to success. Furthermore, the considerable effects of interest rates on annual debt charges (payment on the loan) and the resultant cash flow before income tax depicts the need for quick execution by the LPA because time costs money to the private developer.

Understanding the effects of different costs on a project's profitability, therefore, the LPA can better realize the role its policy plays in stimulating or inhibiting private development.

the LPA's contact and coordination with key local leaders should be an ongoing process rather than an isolated instance.

- 8C. When the LPA has found a prospective office developer who is seriously interested in an urban renewal parcel, it is extremely important that negotiations between the developer and the LPA not be allowed to break down unnecessarily. If the proposed development is generally desirable from the city's point of view, all possible flexibility should be practiced on the part of the LPA to ensure that the development eventually takes place.

Building restrictions included in the urban renewal plan should not unduly penalize the developer in comparison with restrictions that characterize sites of comparable value in the city and surrounding area. Excessively stringent lot coverage restrictions and regulations governing building materials and exterior appearance may be enough to turn away desirable developers. This occurred among office developers in a west coast city who clustered their new buildings adjacent to an urban renewal project rather than adopt the low floor area and high open space requirements called for in the renewal plan.

If interested and favorable developers have refused to build in the project area because of stringent regulations, the LPA should compare its development standards with those of competitive office sites in the city and the region, weighing carefully the relative attributes of the locations. If the LPA decides to relax its restrictions, those prospective developers who had previously withdrawn because of the stringent regulations should be contacted again by the LPA and informed of the changes.

Typically, an office building developer will be required to furnish some on-site parking for his facility, or will have to create space within a specified radius of the building. In intensively developed portions of the downtown area, where land is especially costly and the amount of office space created is large, the cost of furnishing parking will be extremely high. Although LPA's parking requirements are usually justified, any aid that the LPA or the city can provide with regard to parking facilities may make the difference in the feasibility of a major office structure.

- 9A. Even when an LPA's marketing program is skillful and aggressive and site and project improvements have been well planned and efficiently implemented, adverse conditions beyond the LPA's control may be impeding disposition. Sometimes these are attributable to national trends, sometimes to singular local conditions or events. Examples of such factors that might delay disposition of office land are as follows:

National Trends

- Periods of tight monetary conditions.
- The trend toward new suburban office parks.
- The completion of circumferential expressways and of additional radial expressways.
- Flight of residential and shopping center development to the suburbs.
- Rising crime rates in inner-city areas.
- Comparatively high tax rates to support central-city services.

Local Conditions or Events

- Sluggish economy and general lack of investment in the downtown area.
- Lack of convenient and inexpensive employee parking in the downtown area.
- Traffic congestion in the downtown area.
- Relatively poor access to the CBD.
- A general image of obsolescence in the CBD.
- Singularly high perceived crime rate in the project area.
- Lawsuits regarding condemnation or plan changes.
- Local opposition to urban renewal program or to a specific project.
- Racial disturbance in or near a project area.

- Intense and/or long-term labor problems in the city.
 - Failure of city, state, or federal agencies to implement projects around which the urban renewal plan has been conceived (e.g., federal and state highway projects).
- 9B. Although many of the above problems and trends cannot be changed by the LPA, even with excellent support on the part of the city and of HUD, we have seen a number of creative and effective solutions developed by various LPAs throughout the nation to offset general problems in regard to specific projects.

Before enumerating examples of such creative and effective solutions, we believe it is of the utmost importance to emphasize that although national and local trends that are generally unalterable on a near-term basis may greatly complicate disposition, they can often be overcome in relation to specific projects if they are identified and dealt with skillfully. Generally speaking, such trends are not an excuse for inactivity regarding the preparation and marketing of land. Nevertheless, in some cases, a proposed reuse will have to be changed if the LPA is trying unproductively to "buck the trend," or the LPA will have to await a change in the trend before resuming full-scale marketing efforts for the originally designated reuse.

Among tactics that have helped to offset negative local or national trends are the following:

- Applying pressure on the city by the LPA and downtown interests to substantially improve the parking situation, and to maintain excellent police protection and clean-up service.
- Enlisting the aid of local news media to "accentuate the positive" regarding the downtown area and to practice restraint in reporting negative incidents.
- Bringing together local leaders and merchants to obtain a broadbased commitment to reviving the downtown area. When merchants are united and are willing to make contributions to promotion, rehabilitation of facilities, and other positive activities, the chances of reviving the downtown commercial area are greatly enhanced. The

pedestrian shopping malls we mentioned previously could not have happened without such cooperation and initiative. Similarly, the central financial group in the city, if unified and earnestly desirous of revitalizing the downtown core, has in many cities been able to turn the tide in favor of the CBD.

- Using the time while trends are delaying disposition to complete public improvements to set the stage for later marketing.
- Recognizing when originally planned public improvements are not adequate to generate hoped-for commercial development. The time may be ripe to plan new, more ambitious public improvements and focus on the objective of speedy implementation.

All of these approaches have proven effective in various cities RERC studied, and numerous other examples of effective tactics to offset disadvantageous conditions are mentioned in other parts of this report.

Hold Land for Future Marketing

There are certain conditions under which the decision to hold office land for future marketing presents itself as a necessary or preferable temporary course of action. Examples of such circumstances are as follows:

Necessary

- There is no logical market for certain office parcels except that of an adjacent corporation or institution that is temporarily unable to commit itself.
- The overall market for good downtown office land is currently very soft, perhaps because of an oversupply of office land in CBD urban renewal projects.
- Extremely tight monetary conditions have rendered a fast rate of absorption highly improbable; the focus in marketing must temporarily be limited to one or two prime sites.
- City, state, or federal street or highway improvements that are integral to the project area's functioning have been postponed or considerably altered, and the LPA cannot control their timely implementation.

- Serious crime within or near the area has temporarily stigmatized the project. This often causes heightened perception of danger, which has the same effect as real danger.
- Major alterations in the urban renewal plan are underway, and ultimate decisions will affect the parcel(s).

Preferable

- A desirable potential user needs several months to finalize future plans and arrive at a decision to locate or expand in the project area (but has given evidence that he or she is not simply stalling).
 - A major public institution has dire need for temporary use of certain parcels.
 - A number of existing and proposed businesses and institutions need surface parking until a developer or the city builds parking garages.
 - The desirable future development of certain parcels will have to be determined when the precise nature of development on other parcels has been established.
 - Strong efforts are still being made to attract a single developer for a number of major parcels, and this goal appears to be realistic.
 - The city's systematic plan calls for temporarily diverting a certain type of development to another urban renewal area in order to achieve maximum impact.
10. When the temporary tactic of holding land for future marketing is necessary or preferable, there are a number of tests that should be applied regarding the use or non-use of the land during the interim period. The eventual disposition of urban renewal land is basically an economic activity, and the economic return of cleared land while its disposition is unavoidably delayed should be a prime consideration. When parcels are clearly doomed to remain vacant for several years' time, an interim use may be advisable. Whenever possible, such a use should yield net income or at least offset maintenance and carrying costs. When an income-producing use is impossible or potentially detrimental to future sales or to the existing environment, the land should be left vacant (but maintained) or should be temporarily devoted to

a use that will serve the public interest and enhance the marketability of other disposition parcels in the project area.

An interim use is not feasible as far as the LPA is concerned if it involves:

- Clearly unretrievable monetary expenditures without the probability of enhancing marketability in other portions of the project area.
- A strong chance that the interim use will not be able to be terminated when re-marketing is advisable (for example, if a neighborhood might object publicly to the subsequent sale of an interim vest-pocket park).
- The time is ripe, or soon will be, for the sale of the given parcel(s), and the interim use will jeopardize marketing.

The following tests should be applied when considering interim use:

- 10A. If a suitable interim use will produce net income to the LPA, it is ordinarily the most desirable use. The best example of such use is the provision of badly needed surface parking facilities in a downtown area, and potential office sites will often be strategically located for this type of interim use.

Often a CBD area sorely needs an abundance of temporary parking facilities as well as firm plans for future supportive parking in order to even interest prospective commercial and office developers. Such temporary parking lots, with minimal site preparation, will usually produce net income and enhance the redevelopment potential of the CBD area.

- 10B. When suitable net-income-producing uses cannot be found, it may prove advisable to temporarily allow free or low-cost use of the land to support existing uses. In the case of downtown office land, for example, one or more firms adjacent to the vacant land might be in need of temporary private parking space, and the gesture of the LPA to allow such use for a nominal fee may result in important benefits for the project area.

We have seen several downtown projects in which the exterior renovation and landscaping of existing office and commercial structures moved slowly, though such remodeling was important to the image of the project area. The combination of an LPA's persistent efforts to bring about a willingness to renovate on the part of such owners, along with such gestures of good will by the LPA as allowing interim use of space for parking, may be a tool to bring about better cooperation. The temporary nature of such uses must be made clear from the outset, however, and the LPA must not be susceptible to threats by the firm(s) when the time comes to terminate the use.

- 10C. If certain parcels can be devoted to an interim use that will serve the public interest without jeopardizing their sale when the time is right, such use may be preferable to protracted vacancy. In such a case, minimal-cost leasing or use in exchange for the service of maintenance are in order. Examples that we encountered in the course of this study include the temporary use of cleared land for tot lots or playgrounds, and the provision of parking for university students and employees. Pocket parks within the downtown area, tastefully though inexpensively furnished, can do much to create a feeling of pleasantness within a rather intense urban environment. An excellent example of the manner in which such areas enhance the CBD can be seen along the new pedestrian walkway in the Central City Urban Renewal Area in Evansville, Indiana. Such interim use may help to produce greater regard for the urban renewal program within the community and increase the marketability of nearby sites.
11. The term "land banking" refers to the voluntary setting aside of vacant improved land with plans to market it at a future date. This may be a desirable approach regarding certain parcels or tracts for the following reasons:
 - 11A. A developer or developers may submit an integral plan to redevelop several acres in a desirable fashion, but they may not be ready to enter into a contract to purchase the entire acreage until certain portions have been developed. Although our studies have shown that such comprehensive development schemes often fail to materialize, it is sometimes wise to landbank unsold and uncommitted portions of the planned area while the developer is allowed to proceed with the initial phases of his proposal. Situations of this

type require month-to-month vigilance on the part of the LPA to avoid wasting years of potential marketing time regarding the landbanked parcels. The greater the probability of eventual realization of the entire development, the more time that can be risked for the land in question.

- 11B. Careful analysis regarding some parcels may reveal that a waiting period is expedient by reason of the likelihood that the marketability for favorable reuse of the site will increase considerably in the foreseeable future. We have used the words "careful analysis" and "likelihood" in order to differentiate such judgments from the use of soft market conditions as an excuse to wait passively for a buyer to walk in the door.

A good example of carefully calculated landbanking was evident in one of the cities RERC studied. Two urban renewal projects were directly competing for the same types of reuse on comparable sites. Rather than allow a haphazard dissipation of potentially catalytic redevelopment, the city made a clear choice to direct marketing efforts and supporting facilities to one of the projects, while holding some land in the other project for intensive redevelopment when the market caught up with the available inventory of land.

- 11C. A site may be earmarked for a very desirable and highly probable development, which for various reasons cannot occur for a period of some months or years. For example, we have seen a well-planned civic center area that depended for its completion upon decisions of four different governmental entities to build office structures within the area. There was strong reason to believe that, if the land could be kept open for such use, the necessary decision would eventually be made. The deteriorated condition of many structures within the area mitigated against delaying demolition until the governmental entities were ready to build.
12. The last resort in attempting to market urban renewal land is to end up giving it away. This alternative may have to be considered for a few parcels. When the parcel in question is relatively insignificant in value, when there is virtually no hope of selling the land in the foreseeable future for any suitable use or at any price, and when a person or organization can be identified who would maintain the land in good condition and use it in an acceptable manner, donating

the land may prove to be the most economical course of action. Cases of such donation were extremely rare in the cities we studied, but occasionally such action may be appropriate.

INADEQUATE INTEREST IN HOTEL-MOTEL LAND

A. Statement of the Problem

One of the key general problems encountered in urban renewal land disposition is private developer lack of interest in the cleared and improved sites. Once projects are ready for marketing, disposition just has not occurred as rapidly as most LPAs have expected. Developers have been hesitant about undertaking projects on renewal land for many reasons, including the following:

- Because the city and metropolitan area are declining and there is little replacement demand for space.
- Because new construction has traditionally occurred in the suburbs and the urban renewal areas are unfamiliar turf for developers.
- Because the local market has been temporarily overbuilt.
- Because builders are unwilling to take the added risks of pioneering in urban renewal areas, especially with the attendant restrictions and red tape.
- Because the land prices are not low enough to offset development risks.

- Because only a limited number of developers have the experience and financial capability to undertake some of the planned large projects, and the LPAs have not contacted them, or have not approached them persuasively enough.
- Because the LPA is not adept in dealing with private developers.
- Because some of the planned projects are out of scale for their local market.

In addressing these and other marketing problems, we have focused on separate land uses in five different chapters. This chapter concerns hotel-motel land. Other chapters deal with residential, industrial, retail, and office land. Though there is considerable repetition among the five chapters concerned with urban renewal reuse market resistance, large sections of each chapter are devoted specifically to one reuse. With the text on this general subject divided into five chapters, readers can concentrate on their problems with one particular reuse without being distracted by questions and answers relating to other uses. Persons who have problems in marketing properties of several types can easily skip over repetitive material in the various chapters they are using.

B. Basic Strategy Alternatives

There are two basic alternative ways of trying to deal with the problem of inadequate interest in hotel-motel land. These may be summarized as follows:

- Continue to Market Land Under Present or Modified Reuse -- This involves intensifying and/or redirecting the marketing program to take full account of local market conditions, the potential for the site, the needs and realistic demands of a hotel-motel developer, and possible tradeoffs or assistance that the LPA could offer a potential developer.
- Hold Land for Future Marketing -- This alternative involves consideration of interim uses, leasing of sites for temporary use, and land banking the property in anticipation of improvement in market conditions.

Tests to determine which of these two alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 11 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

PROBLEM: INADEQUATE INTEREST IN HOTEL-MOTEL LAND

basic alternatives	tests	findings	specific actions
Continue to Market Land Under Present or Modified Reuse.	1. Is the current plan for hotel or motel use compatible with development that has already occurred within the project?	Yes No	Apply other tests in this set. Consider plan revisions. See Chapter 13 ("Inflexibility of Project Plan").
	2. Have the current and projected markets for hotel-motel land and competitive land prices been reviewed?	Yes No	Apply other tests in this set. Apply tests 2A and 2B.
	2A. Does the LPA have current and realistic information regarding the strength and characteristics of the market for hotel-motel land?	Yes No	Apply other tests in this set. Prepare a current and realistic market analysis for unsold hotel-motel land.
	2B. Has land pricing been reviewed?	Yes No	Apply other tests in this set. Prepare current and realistic price schedule relying upon land residual appraisal approach. See Chapter 5 ("Overpriced Land").
	3. Have the following actions been taken to put the sites in good and marketable condition?		
	3A. Is all trash regularly removed?	Yes No	Apply Test 3B. Arrange for regular trash removal.
	3B. Have all structures scheduled for removal been demolished?	Yes No	Apply Test 3C. Contract for demolition.
	3C. Are sidewalks, curbs, and on-site utilities in good condition?	Yes No	Apply Test 3D. Contract for repairs.
	3D. Is regular surface maintenance of sites provided?	Yes No	Apply other tests in this set. Arrange for grass cutting, etc.
	4. Have project area public improvements been made (e.g., street widening and paving, curbs, gutters, street lighting, storm and sanitary sewers)?	Yes No	Apply other tests in this set. Make improvements. Consider a staged program of physical improvements when the designated area is extremely large.
	5. Are the promotional efforts appropriate for the size and scale of the intended development?	Yes No	Apply other tests in this set. Prepare polished promotional materials; encourage existing redevelopers to participate in promotion. See Chapter 24 on determining the appropriate method of advertising disposition parcels.
	6. Has the existing inventory of hotel-motel land been actively marketed as follows:		
	6A. Has the LPA contacted national real estate brokers specializing in transient housing facilities?	Yes No	Apply other tests in this set. Contact such brokers.
	6B. Has appropriate advertising been undertaken?	Yes No	Apply other tests in this set. See Chapter 24.

PROBLEM: INADEQUATE INTEREST IN HOTEL-MOTEL LAND

basic alternatives	tests	findings	specific actions
	6C. Has the LPA, with civic leaders, attempted to generate a local investor group to back hotel development?	Yes No	Apply other tests in this set. Assist in assemblage of groups.
	6D. Has the LPA contacted national chain developers?	Yes No	Apply other tests in this set. Contact national chains to determine interest in site as owner-operator, method of obtaining franchisees, and references of parties who might be interested in site.
	6E. Has the LPA carefully selected the method of offering hotel-motel parcels?	Yes No	Apply other tests in this set. In light of the characteristics of parcels and the type of developer one is seeking to attract, evaluate possible methods of offering as presented in Chapter 3.
	7. Is site development dependent upon completion of a major public facility (e.g., convention/cultural center, medical center, university)?	Yes No	Apply Test 7A. Apply other tests in this set.
	7A. Is construction of a public facility imminent?	Yes No	Begin site marketing. Apply Test 7B.
	7B. Has funding for a public facility been approved?	Yes No	Apply Test 7C. Evaluate impact on urban renewal financing (non-cash credits). Consider developing alternate reuse plan, indicating transient facility of smaller scale.
	7C. Is construction dependent upon eventual voter approval?	Yes No	Develop alternate reuse plan, including transient facility of smaller scale. Apply other tests in this set.
	8. Are there adverse conditions beyond the LPA's control:		
	8A. That are delaying project marketing? (see text)	Yes No	Apply Test 8B. Apply other tests in this set.
	8B. That are temporary and correctable? (see text)	Yes No	Perform as much preliminary marketing as possible until conditions change. Apply other tests in this set.
	9. Are negotiations being conducted effectively?	Yes No	Apply other tests in this set. Apply tests 9A and 9B.
	9A. Are negotiations being conducted by staff members knowledgeable about financial and market elements of hotel-motel development?	Yes No	Apply Test 9B. See Chapter 18, ("Insufficient Disposition Staff Capabilities"); apply Test 9B.
	9B. Are key public and private leaders being asked to participate in negotiations with potential developers of major parcels?	Yes No	Apply other tests in this set. Encourage participation but coordinate efforts to assure presentation of "united front" to potential developers; Apply Test 9C.

PROBLEM: INADEQUATE INTEREST IN HOTEL-MOTEL LAND

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
	9C. Has the LPA expressed willingness to reduce design restrictions or assist developer in provision of parking amenities?	Yes No	Apply other tests in this set. Consider reducing design/development restrictions. See Chapter 13, ("Inflexibility of Project Plan"). Consider assisting developer with provision of parking and creation of amenities.
Hold Land for Future Marketing	10. Are there feasible interim uses?	Yes No	Apply Tests 10A and 10B. Apply other tests in this set.
	10A. Are there interim uses that would produce net income, such as parking lots?	Yes No.	Analyze market for interim use(s). Apply Test 10B.
	10B. Are there interim uses that would be supportive to uses in the surrounding area, such as pocket parks, playgrounds, or tot lots?	Yes No	Consider such uses. Apply Test 10C.
	10C. Are there other situations in which interim uses would serve the public interest better than continued vacancy?	Yes No	Consider such uses. Apply other tests in this set.
	11. Is holding land in a land bank desirable because:		
	11A. The site is considered for a specific future development with a high probability of occurrence at a planned date?	Yes No	Hold in land bank and maintain site until scheduled date of use. Apply Test 11B.
	11B. Future market conditions are likely to improve so as to make sales price and intensity of redevelopment more favorable?	Yes No	Hold in land bank and maintain site. Review semi-annually. Apply Test 11C.
	11C. There is an apparent reuse for the site in the foreseeable future?	Yes No	Reconsider earlier tests. Apply other tests in this set.

Prepared by Real Estate Research Corporation and RTKL, Inc.

We recommend that a person evaluating the problem of inadequate interest in hotel-motel land read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Inadequate Interest in Hotel-Motel Land." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involved complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the two alternatives are included as sub-headings to clarify the contest of the discussion of the tests.

● Continue to Market Land Under Present or Modified Reuse

1. If land planned for hotel-motel use is attracting little interest among potential developers, various aspects of the project's planning should be re-examined. When hotel-motel reuse parcels have remained unsold over several years' time, other portions of the project area, or surrounding land uses, may have undergone considerable change. Sometimes these changes had been foreseen in the original land use plan. But often

the actual redevelopment that has taken place varies significantly from earlier expectations in terms of type or character of the reuse. For example, since execution began, the LPA may have reduced the amount of commercial land in a downtown project area and increased public open space and/or office reuse. Also, the internal or surrounding street system may have changed in a manner that had not been envisioned in the original plan. Furthermore, the quality of the redevelopment that has taken place might be less impressive than the LPA's hopes in the initial stages of the project, requiring that the LPA "lower its sights" regarding the reuse potential of remaining land if its marketing efforts are to be realistic. This lowering of sights may involve several actions treated in subsequent parts of this chapter. On the other hand, the failure to note recent and current changes in the project area may in effect blind the LPA to more favorable disposition opportunities that have come about since execution began.

Thus, the unsold inventory of hotel-motel land should be re-evaluated in terms of completed or firmly committed developments and changes within and surrounding the reuse area. Conducting an effective marketing program for unsold sites usually requires a specific concept of the types of hotels or motels that could appropriately be located there.

Actual examples of events occurring during execution that necessitate changing the type or intensity of reuse for various parcels are as follows:

- The state announces a firm commitment to finance a new convention center, hitherto unexpected, within the project area.
- Local businessmen, with federal help, generate a pedestrian shopping mall in the downtown area.
- A proposed highway or interchange fails to materialize.
- A proposed public facility of major significance is constructed elsewhere.
- A major department store(s) leaves the CBD to locate in the suburbs.
- A major bank or corporation implements a development of unique prestige.

Re-evaluating unsold parcels in terms of recently established surrounding uses may reveal the need for basic changes in the urban renewal plan. The pitfalls of an inflexible plan are discussed at length in Chapter 13.

- 2A. Prior to the approval of Loan and Grant - Part II, a marketability study and reuse appraisals were completed for each project and submitted to HUD. HUD often required a special market study regarding sites designated for transient housing facilities. Nevertheless, if hotel or motel sites have remained unsold over a period of years, the original market study has probably become outdated. Perhaps it was not realistic from the beginning.

We have found that, for various reasons, many LPAs placed little stock in the conclusions and recommendations of the original market analysis. We believe such market analysis is important, and when the land has remained unsold over several years time, the LPA should carefully review the original market study to see whether developments and trends that have taken place in the interim may have radically changed the marketability of hotel-motel/sites in the project area. The question of the marketability of various uses on a particular site is so basic that promotion, marketing efforts, and public improvements can be wasted if the market simply is not there and cannot reasonably be expected to appear in the future.

If, after its review of the earlier market study, the LPA suspects a pronounced absence of current and future marketability for the proposed reuse, we recommend that reliable and up-to-date market information be developed and analyzed by an appropriate professional person or firm. Such a re-evaluation should include recommendations for an alternate, more marketable reuse if the originally-designated reuse is found to be unmarketable. A study of this type should also provide a probable rate of absorption regarding unsold land in light of current and expected developments and trends. This can serve to guide the LPA's expectations for the rate of disposition. The agency must realize, however, that the actual rate of absorption will depend significantly on the quality of its marketing effort.

Even when the market for hotel or motel land is relatively strong and the price of the land is competitive, determination of the type and intensity of

development that will be financially feasible on a given site requires further technical considerations. Thus, it will often be wise for the LPA to request a feasibility component within the market study to indicate the scale and character of development that the LPA can realistically seek and the land price that a typical developer can afford to pay. In the case of attracting a transient housing developer, the market and feasibility study itself may prove useful to the LPA for promotional distribution to potential developers.

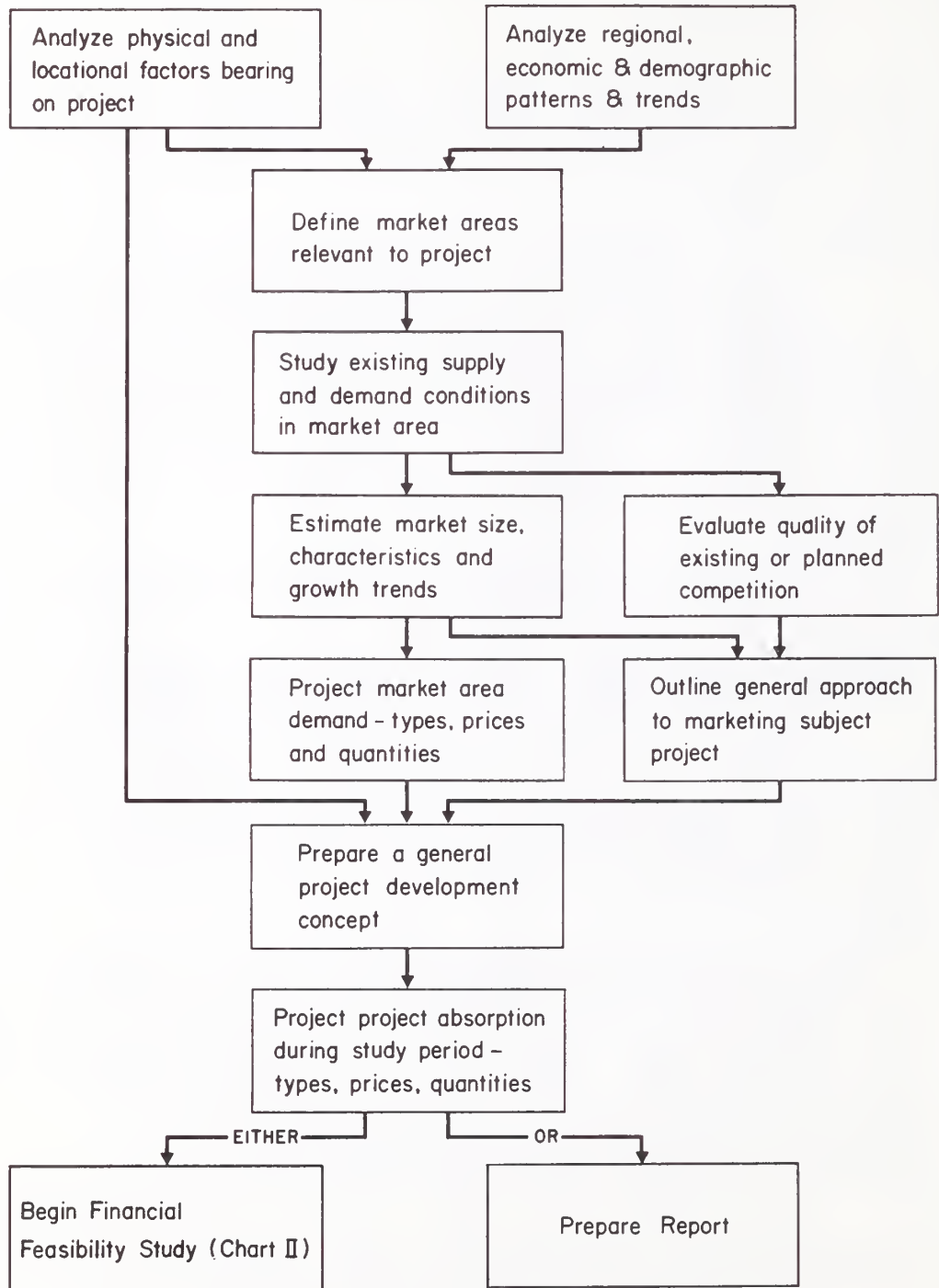
It is important to note here that the LPA should not apply pressure upon the market analyst to recommend a high type of reuse just because such a reuse fits ideally into the project plan and will generate higher revenue. If the market conclusions are virtually dictated by the LPA rather than by the data, method, and objective judgment of the analyst, a decade can easily be lost in attempting to dispose of the land according to a favorable but financially unrealistic redevelopment scheme.

The chart on the following page indicates the components of a typical market study. The feasibility component is described in Test 9 of this chapter.

- 2B. The question of land pricing can be important regarding hotel-motel sites. The fundamental problem of overpriced land is discussed in detail in Chapter 5, and the advantages to be gained in reappraising the unsold land with a land residual appraisal approach are presented there. The significance of the price of land in rendering hotel-motel development economically feasible will be illustrated in Test 9 of this chapter.
3. It is the LPA's responsibility to see that the stage is set for showing available parcels to their best advantage. If the site or the overall project area has a negative appearance or if the basic functional improvements have not yet been made, potential transient housing developers may be repelled without the LPA ever knowing that they were interested.

In one of the test case cities we studied, several local leaders described the frustration of showing their riverfront renewal area to national developers while the extensive physical improvements were still underway in the project area. With a railroad line to be relocated, a highway under construction, a

ORGANIZATION OF WORK ELEMENTS: MARKET ANALYSIS



Prepared By: REAL ESTATE RESEARCH CORPORATION

massive electrical substation being modified, and a flood-wall under construction, the project area presented an enormously negative impression to prospective developers, and for years no outside developer would commit himself to the project. Although this example involves an unavoidable temporary condition, it serves to illustrate the strength of the negative reactions that an unsightly project imparts to potential purchasers.

A developer of a hotel or motel can be expected to be extremely sensitive to the attributes of a potential site and its surroundings. In the case of a major downtown luxury hotel, for example, the investment is enormous and a steady occupancy of hundreds of rooms will have to be maintained to make the investment profitable. The following activities on the part of the LPA are important to set the stage for marketing by allowing a prospective developer to envision the site's real potential:

- Regular trash removal.
 - Timely demolition of structures to be removed.
 - Regular surface maintenance.
 - Attention to repairs or addition of sidewalks, curbs, and on-site utilities.
4. For many reasons, the implementation of public improvements is of fundamental significance in preparing the way for effective marketing of land, and this applies particularly to hotel-motel land. The visual and functional qualities of the site and the surrounding area are of major concern to a potential hotel developer. If basic project improvements (new and improved streets, street lighting, storm and sanitary sewers) have already been completed or at least are well underway, a prospective developer can be certain that his project will not be delayed or inhibited by the failure to implement public improvements. Plans and promises are not very effective when an LPA is trying to encourage major investments.

Regarding major downtown hotel developments, it is typical for the city to have planned a major public facility that is calculated to enhance the project area and to act as a catalyst for securing high-quality surrounding development. Though in many projects, these are convention centers, stadiums,

civic centers, and other major facilities, they can also be smaller and more routine structures like fire and police stations. Hotel and motel sites are often dependent upon interchanges and on- and off-ramps, which are crucial for generating patronage. We must emphasize that such facilities should be completed or well underway before the LPA can hope to engage in aggressive marketing of prime sites. Particularly when the LPA is attempting to interest a major national developer, the psychological and visual impact of a city that has accomplished what it set out to do can be the LPA's strongest marketing tool. Conversely, a city's failure to accomplish promised investments in its urban renewal areas constitutes a poor context for marketing a major transient housing site.

Completion of public improvements that provide parking and excellent access to and within the project area are of the utmost importance for development of transient housing facilities. In the case of a singularly large project area, public improvements cannot be installed simultaneously throughout the project. Since marketing efforts are weakened when planned physical improvements have not yet been made in an area, the LPA might consider staging its marketing in accordance with installation of public improvements and facilities.

5. We have found that renewal agencies throughout the nation vary widely in their use of promotional materials and approaches. The importance of good promotional materials and use of a variety of marketing techniques and approaches are discussed in Chapter 3.

Regarding promotion of available hotel-motel land, we believe that an attractive and informative brochure to advertise available land will pay for itself in terms of accelerating disposition. Effective promotional material need not be expensive but should be adapted to the character of the planned reuse of the area. In some instances, available urban renewal land may hold strong potential for attracting a major hotel chain into the city; if such is the case, promotional materials should be of high quality and should be widely circulated by mail.

Besides the brochure, leaflet-type circulars can be used effectively regarding individual parcels planned for transient housing use. An attractive map of the site, illustrating access and surrounding uses, can

be a valuable tool to interest potential hotel-motel developers and real estate brokers. Portions of such materials can also be used for newspaper or magazine advertisements.

A number of persons and organizations outside the LPA should be asked to help promote major urban renewal hotel-motel sites. Political, business, and civic leaders should be aware of the enormous significance that a major new lodging facility has in complementing other existing and proposed uses in the CBD area. We encountered one city, for example, that experienced little success in its ambitious downtown renewal efforts until a major local entrepreneur constructed an impressive 25-story hotel on a prime site overlooking the river. This distinctive investment, along with an equally outstanding public improvement in the riverfront area, has triggered considerable interest on the part of local and out-of-state investors who had formerly shown little interest.

In most cities, there are local or state organizations whose major function is to stimulate economic growth in the area. A Chamber of Commerce is the most typical such agency, but in many cities there are a number of promotional groups with differing emphases and varying levels of promotional activity. In Louisville, Kentucky, for example, we found three civic organizations that engaged effectively in promoting the city regionally and/or nationally. It is important for the LPA in any city to be familiar with such organizations and to maintain contact with their officials. For example, where the promotion of hotel or motel sites is engaged in by a local organization, available urban renewal sites should be included in advertisements. Often the prime sites for new lodging facilities in the downtown area are on urban renewal land.

An up-to-date market study of the demand for hotel-motel facilities, produced at the LPA's request by a reputable consultant, has been used successfully by a few agencies as a major promotional tool. Such a document is often more meaningful to a potential developer than the usual descriptive promotional materials.

"For sale" signs should be placed on available hotel-motel sites and moved periodically to different portions of the site. When these sites are located in the CBD, large numbers of local and out-of-town people can be expected to see the signs.

- 6A. The proliferation of transient housing facilities throughout the nation during the past 20 years has given rise to a number of national real estate brokers who specialize in selling land for hotel and motel development. This is the way they make their living, and many such brokers are in touch with developers and franchisers across the country. We think it is even more important regarding hotel and motel sites than for other types of reuse that the LPA seriously encourage participation of real estate brokers specializing in this type of development. Real estate brokers have often been instrumental in attracting transient housing developers to build on urban renewal land.
- 6B. Although newspaper and magazine advertising of urban renewal sites characteristically has been disappointing in its results, we have seen a few notable instances in which such promotional efforts have helped to attract a new hotel or motel development to the downtown area.

Regarding prime sites for hotel or motel use, we advise the LPA to place a well prepared advertisement in a major national business publication or in a national trade journal. Such advertising is too expensive to engage in frequently, but the stakes may be high regarding a major parcel or group of parcels, and the chance of interesting a major developer justifies at least one such advertisement every year or so when transient housing sites are being marketed aggressively. The probability of favorable results from such advertising is related to the comparative appeal that a particular city has in the eyes of national investors. One LPA director whose record in disposing of land is favorable told us that the LPA placed ads in the local newspaper regarding prime sites once a week -- on the weekday that downtown hotels reported their highest average occupancy.

The use of advertising is discussed more thoroughly in Chapter 24, "Determination of Appropriate Method of Advertising Disposition Parcels".

- 6C. Since the development of a major hotel on a key urban renewal parcel may be of enormous catalytic benefit, both for the renewal project and the entire CBD, the LPA should place a high priority on assembling a group of the top civic leaders and convincing them of the importance of securing a hotel or motel on prime renewal land. Such a group might even help to contact national chains and developers and help to entertain

such people when they come to the city to view the site. In our study of 22 cities, we found that people in a group of this kind -- once they have seen the hesitancy of developer after developer from outside the city -- may recognize the need for identifying, and sometimes participating in, a local investor group to back the hotel development.

In two cases that we studied, a local group of investors was assembled and a new hotel of considerable prestige was actually developed. In another case, it has been impossible to secure this type of local backing, and no one has yet been willing to develop the facility, though several major outside developers have expressed interest in the prime hotel site.

LPAs should recognize that certain problems may arise at a later time when a local investor group has backed construction of a major hotel, especially if that local group has a strong influence on the city or the LPA. The problem arises when another hotel or motel is proposed near the first facility, and the local investors see this potential competition as jeopardizing their financial interests. Such a perception may indeed be accurate, especially if the first hotel has not yet reached the necessary average level of occupancy to make it profitable. In one case we know of, the local investor group includes members of the LPA's Board of Commissioners; understandably, these persons have found it extremely difficult to approve the construction of another competitive facility.

Despite potential problems, our suggestion is that an LPA that has not been able to secure development of a major hotel site should do all it can to assemble civic leaders and encourage local investment in a facility. If the LPA recognizes the potential problems from the beginning, we believe the benefit of obtaining a major hotel for a project area far outweighs the potential hazards.

- 6D. The LPA should identify the major hotel and motel franchise and referral chains that are not represented in the city and therefore may be interested in an opportunity to establish a hotel or motel there. The chain affiliations that are in the city already should also be contacted, because in many cases they are losing overflow business at their existing properties to competitors, and would be interested in adding another facility.

The hotel chains have large marketing staffs that are always on the lookout for opportunities for transient housing development. They also have contacts with many potential investors who have expressed interest in building a facility affiliated with the national chain. These investors are potential buyers of hotel sites in renewal areas.

There are also motel companies that own and operate a number of properties affiliated with a particular chain. Recently, Holiday Inns bought out a company that owned and operated a large network of Holiday Inns in the southeastern United States. These companies are often very interested in a dense regional penetration because of the joint advertising and promotional opportunities available. A typical example is a motel company that might own four or five Holiday Inn motor hotels within a particular state. Each property, of course, would keep advertising literature on the other properties so that all of the motels get the advantage of exposure to guests at any one of the motels. The group-meeting business from associations with a statewide membership is also an important market source, and a company can keep this business by rotating the group's annual convention in successive years to its different motels throughout the state.

The LPA should be alert to inquiries received by the local Chamber of Commerce about motel opportunities in the city. Particularly if the city has a convention director, the LPA should keep him or her fully informed regarding the availability of sites in the urban renewal area. For example, in one city we studied, the convention bureau manager always had a large number of groups interested in holding their conventions there. But the city itself had no hotel that would qualify as a convention headquarters. He was also in frequent contact with representatives of hotel chains who would discuss the opportunities for motel and hotel development with him, and one hotel company that specializes in downtown convention-oriented properties expressed interest in the community on various occasions. However, even though this convention manager had held that position for a long time (going back prior to the beginning of the urban renewal program), there had never been any contact between his office and the LPA. The major hotel site in the downtown renewal area in this community was eventually sold to a developer who in turn got a major chain interested, and a motor hotel was built on the site. From one standpoint, it was a

successful disposition of land. But from the standpoint of the city's need for a full-scale downtown convention hotel, the opportunity created by urban renewal was missed. A closer relation between the convention bureau and the LPA in the early years of urban renewal would have made the marketing job of the LPA much easier and at the same time would have produced greater ultimate benefits to the city.

- 6E. In relation to the particular type of reuse, the size and other characteristics of the parcels in question, state and local legislation, and other conditions that may be unique to the locality or to the parcels, the LPA should carefully consider the positive and negative features of the six basic methods for offering urban renewal land. These methods are described in Chapter 3.

In some cities, the LPA never varies its method of offering parcels. Especially in the case of those parcels that have proven difficult to dispose of, we believe the LPA should weigh the advantages of the other possible methods to be certain they have chosen the one best suited to the particular case at hand.

7. Hotels depend, in varying degrees, on business travelers, tourists, and meetings, seminars, and convention trade. The market justification for a new hotel or motel in an urban renewal area is, more often than not, largely dependent upon the overall rejuvenation of the CBD and the creation of new traveler-generating elements that are not yet present. The typical public or quasi-public facilities that are planned for urban renewal areas include new or expanded convention facilities, medical centers, and colleges or universities.
- 7A. It is extremely difficult to market hotel-motel sites prior to the presence, or at least the firmly scheduled commitment, of major traveler-generating public facilities. But as soon as such a commitment is secured, marketing of the hotel-motel site should begin in earnest. The LPA must fully recognize the importance of finalizing major new or expanded public facilities prior to intense marketing of transient housing sites.
- 7B. Probably the major cause of delay in the implementation of catalytic, traveler-generating public facilities is the difficulty of obtaining the necessary

funds. In obtaining public support for the facilities, it is important that the LPA, or the city, be able to dramatize the proportion of the benefits that the public facilities can be expected to produce. In a variety of ways, local financial institutions and major corporations can play a very significant role in helping to generate the necessary financial resources.

The LPA should also review the city's situation with regard to non-cash credits and determine both the most effective use of such credits from the city's point of view and the manner in which the advantages of such non-cash credits can be dramatized for local leaders.

If the approval of all or some of the necessary funds for important public facilities is likely to remain in doubt over a period of years, the LPA should prepare an alternate reuse plan for the project area, which includes a transient housing facility of a smaller scale. By far the most preferable circumstance is still to have the full-scale public facility firmly committed and to market the hotel-motel site(s) for the intensity of use that that public facility would help to justify.

- 7C. Sometimes the only way to secure the necessary financing for an ambitious public facility requires voter approval. In past years, voters typically approved bond issues far more readily than they have in recent times. If the only method of financing the public facility will require voter approval, we recommend that the LPA have on hand an alternate reuse plan that includes a transient housing facility of a smaller scale than was originally planned. This alternate plan may save years of delay in marketing the land in the event that voter approval cannot be obtained and there is little hope of obtaining it in the foreseeable future.
- 8A. Even when an Agency's marketing program is skillful and aggressive and site and project improvements have been well planned and efficiently implemented, adverse conditions beyond the LPA's control may be impeding disposition. Sometimes these are attributable to national trends, sometimes to singular local conditions or events. Examples of such factors that might delay disposition of hotel or motel land are as follows:

National Trends

- Periods of tight monetary conditions.
- The trend toward major new suburban transient housing facilities and the advantage of proximity to airports.
- The completion of circumferential expressways and of additional radial expressways.
- Increased use of air travel and rental cars.
- Rising crime rates in inner-city areas.
- Increased construction of entertainment and restaurant facilities in the suburbs.

Local Conditions or Events

- Inability of the city to implement major public facilities.
- Sluggish economy and lack of investment in the downtown area.
- Traffic congestion in the downtown area.
- Singularly high perceived crime rate in the downtown area.
- Lawsuits regarding condemnation or plan changes.
- Local opposition to urban renewal program or to a specific project.
- Relatively poor access to the project area.
- Racial disturbance in or near a project area.
- Intense and/or long-term labor problems in the city.
- Failure of city, state, or federal agencies to implement projects around which the urban renewal plan has been conceived (e.g., federal and state highway projects).

8B. Although many of the above problems and trends cannot be changed by the LPA, even with excellent support on the part of the city and of HUD, some can be expected to correct themselves in time, and others can be mitigated by local action.

We believe it is of the utmost importance to emphasize that although national and local trends that are generally unalterable on a near-term basis may greatly complicate disposition, they can often be overcome in relation to specific projects if they are identified and dealt with skillfully. Generally speaking, such trends are not an excuse for inactivity regarding the preparation and marketing of land. Nevertheless, in some cases, a proposed reuse will have to be changed if the LPA is trying unproductively to "buck the trend," or the LPA will have to await a change in the trend before resuming full-scale marketing efforts for the originally designated reuse.

Among tactics that have helped to offset negative local or national trends are the following:

- Applying pressure on the city by the LPA and downtown interests to substantially improve the parking situation, and to maintain excellent police protection and clean-up service.
- Enlisting the aid of local news media to "accentuate the positive" regarding the downtown area and to practice restraint in reporting negative incidents.
- Bringing together local leaders and merchants to obtain a broadbased commitment to reviving the downtown area. When merchants are united and are willing to make contributions to promotion, rehabilitation of facilities, and other positive activities, the chances of reviving the downtown commercial area are greatly enhanced. Similarly, the central financial group in the city, if unified and earnestly desirous of revitalizing the downtown core, has in many cities been able to turn the tide in favor of the CBD.
- Using the time trends are delaying disposition to complete public improvements to set the stage for later marketing.
- Recognizing when originally planned public improvements are not adequate to generate hoped-for hotel-motel development. The time may be ripe to plan new, more ambitious public improvements and focus on the objective of speedy implementation.

All of these approaches have proven effective in a variety of the cities RERC studied, and numerous other

examples of effective tactics to offset disadvantageous conditions are mentioned in other parts of this report.

9. Once a potential transient housing developer has expressed interest in a parcel or parcels, the process of negotiation begins. If negotiation is successful, the land in question is placed under contract. When circumstances result in delays in development, extensions may have to be granted or the contract terminated. In such cases, negotiation can technically be said to continue until the land is officially disposed of or the contract is terminated.
- 9A. A person conducting negotiations with potential developers of hotel or motel land must be aware of the financial and market elements that are of critical concern to interested investors. For example, image, visibility, and convenient automobile access and parking are of fundamental importance in hotel development. The security of the surrounding area and the general quality of the atmosphere are also of major importance. Regarding most large motels and hotels, food and beverage sales constitute a very significant portion of their income, and such revenue normally depends on local clientele as well as travelers. Since weekends are typically times of low occupancy, the presence of weekend meetings, seminars, or full-scale conventions can be enormously significant elements in ensuring the profitability of transient housing facilities.

If the LPA disposition staff is inexperienced regarding the technical and singular aspects of negotiating with hotel-motel developers, the suggestions contained in Chapter 18 may prove helpful.

To illustrate the important part that market and financial elements play in guiding the decisions of a profit-making enterprise, a pro forma investment analysis technique is often used to analyze the sensitivity of a proposed investment to various factors. This technique delineates the land cost, construction cost, and other expenses involved. Mortgage financing alternatives are evaluated to determine which type of loan a developer can obtain and the amount of equity or cash on hand that will be required. Then, a cash flow projection is made showing projected income, projected expenses, annual debt charges (payment of the loan), and a resulting cash flow before income taxes and the effects of depreciation and tax shelter.

if all the parameters assumed in the pro forma are correct, the analysis yields an accurate profile of what economic gain (profit) can be expected from the total investment in land and construction costs.

It should be noted that investors carefully weigh the risk involved before determining an acceptable rate of return on an investment. Thus, a return or profit of 10 percent on a real estate investment probably will not attract an investor if he or she can, for example, obtain 10 percent on a government bond that has no risk.

In the following table, we use an investment analysis of a motel facility to describe these variables. For comparison, a desirable rate of return (profit) before taxes is assumed to be in the range of 12 to 15 percent. Anything above that can normally be considered excellent.

- 9B. In the case of parcels suited to hotel-motel users, every effort should be made to involve key public and private leaders in negotiations with potential purchasers. The LPA must be aware that the construction of a large hotel or motel is important to the local economy, and the task of securing such a development appropriately involves persons of the most stature, experience, and power within the community. At the very least, the involvement of such persons indicates to the potential investor that the city strongly desires his proposed facility. Furthermore, such key persons can often identify or authorize special incentives to persuade the transient housing developer to proceed. The "selling power" of the LPA with regard to major transient housing sites may well be doubled or tripled by involving key local leaders in the negotiation process.

It is important that key leaders and LPA staff present a "united front" in negotiating with prospective developers. This requires effective communication among the city's various participants prior to meetings with the prospective purchaser. Ideally, the LPA's contact and coordination with key local leaders should be an on-going process rather than a "one-shot" affair.

As noted under Test 6 of this chapter, it sometimes happens that a group of civic leaders identifies or participates with, a group of local investors to back development of a major hotel. The conviction that it

INVESTMENT ANALYSIS OF PROJECTED
MOTEL FACILITY - 165 ROOMS
(100,000 Sq.Ft. Facility)

A. INVESTMENT	
Land Value @ \$5.50/Sq.Ft.	\$ 479,160
Construction Costs @ \$22.00/Sq.Ft.	2,200,000
Furnishings & Equipment @ \$1,500/Unit for 165 Units	247,500
Site Improvements @ \$1.00/Sq.Ft.	65,340
Total Investment	<u>\$2,992,000</u>

B. CASH FLOW BEFORE INCOME TAX

<u>Effective Gross Income</u>	
Gross Potential Income @ \$14.37/Sq.Ft. Gross	\$1,437,000
 Expenses	
Administrative & General	\$ 143,500
Advertising & Promotion	46,000
Heat, Light and Power	49,200
Repairs & Maintenance	51,300
Room Department	221,150
Food & Beverage	454,900
Telephone	50,000
Fire & Insurance	13,500
Real Estate Taxes	36,500
Personal Property	3,000
Net Annual Income	<u>\$ 367,950</u>
Less: Amortization for Furnishings & Equipment	<u>40,000</u>
Net Available for Debt Service	\$ 327,950

Yield on Total Investment $(\$367,950 \div \$2,992,000) = 12.29\%$

Annual Debt Charges

$(\$2,992,000 \times 75\% = \$2,244,000 \text{ loan @ } 9\frac{1}{2}\% \text{ for 25 yrs.;}$
Factor .1049) 235,400

Cash Flow Before Income Tax \$ 92,550

C. RATE OF RETURN BEFORE TAX

Equity Investment $(\$2,992,000 - \$2,244,000)$	\$ 748,000
Rate of Return on Investment $(\$92,550 \div \$748,000)$	<u>12.37%</u>

Assumptions for the Sake of Example:

- Two acres cleared land @ \$5.50 Per Square Foot
- A 100,000 Square Foot Facility @ \$22 Per Square Foot (incl., restaurant, cocktail lounge, coffee shop, etc.)
- Site Improvements @ \$1.00 Per Square Foot; assumes building coverage of $\frac{1}{2}$ acre
- A 75% loan @ $9\frac{1}{2}\%$ for 25 years; excludes amortization of furnishings and equipment

Note that the above items are subject to variation by both region and time. For example, construction costs, maintenance costs, real estate taxes, etc., can vary monthly and will ordinarily differ by regional location. Even within a region, property taxes vary by municipality. These items can all be affected by policies of the LPA. For example, the following tables describe the effects of different values of land cost, site improvement cost, and construction cost on profit.

INVESTMENT ANALYSIS OF PROJECTED MOTEL FACILITY - 165 ROOMS

TABLE 1
EFFECT OF CHANGES IN COST PER SQUARE FOOT
OF LAND ON TOTAL COST AND RETURN ON EQUITY

Table 1 shows the effect of land cost on the equity return or profit. Obviously, marketability of the land depends in part on the appraised reuse value of land. If land disposition is slow, therefore, quite possibly the reuse value of the land should be re-evaluated and reduced as an incentive to development

Land Cost Per Sq.Ft.	Total Cost	Cash Flow Before Income Tax	Equity Return
\$3.50	\$2,817,760	\$106,260	15.08%
\$4.50	\$2,904,880	\$ 99,410	13.68%
* \$5.50	\$2,992,000	\$ 92,550	12.37%
\$6.50	\$3,079,120	\$ 85,700	11.13%
\$7.50	\$3,166,240	\$ 78,850	9.96%

TABLE 2
EFFECT OF CHANGES PER SQUARE FOOT
SITE IMPROVEMENTS ON TOTAL COST AND RETURN ON EQUITY

Table 2 describes the effects of varying site improvement costs on equity return. Flexibility of desirable standards for site improvements such as landscaping, screening of parking facilities, lighting standards, etc., must be achieved during negotiation in order to obtain an attractive, yet profitable development. The LPA must realize the ramifications of excessive design controls on profitability, and the developer must realize the role of the LPA in assuring an attractive development.

Site Improvement Cost Per Sq.Ft.	Total Cost	Cash Flow Before Income Tax	Equity Return
\$.25	\$2,943,000	\$ 96,410	13.1%
* \$1.00	\$2,992,000	\$ 92,550	12.37%
\$1.75	\$3,041,010	\$ 88,700	11.66%
\$2.50	\$3,090,010	\$ 84,840	10.98%

TABLE 3
EFFECT OF CHANGES IN CONSTRUCTION COST
PER SQUARE FOOT ON TOTAL COST AND RETURN ON EQUITY

Table 3 reflects the effect of changes in construction cost on equity return. Too many stringent design regulations by the LPA can effectively diminish land marketability because of the increased costs required. Thus, design standards must be prepared with a realistic view of their implications on cost and whether they are detrimental to land marketability. Flexibility in negotiations is an objective for the LPA to enhance the marketability of urban renewal sites.

Construction Cost Per Sq.Ft.	Total Cost	Cash Flow Before Income Tax	Equity Return
\$20.00	\$2,792,000	\$108,290	15.51%
\$21.00	\$2,892,000	\$100,420	13.88%
* \$22.00	\$2,992,000	\$ 92,550	12.37%
\$23.00	\$3,092,000	\$ 84,690	10.95%
\$24.00	\$3,192,000	\$ 76,820	9.62%

*Based on calculations used in preceding investment analysis.

The above three variables have been taken independently. Imagine the negative impact of an overpriced land parcel plus too many stringent design controls. Although these particular variables have been singled out, the LPA must also be aware of the impact of real estate taxes, maintenance costs, insurance and other variables which affect the return on investment.

Not noted in the previous analysis, lower overall costs tend to lower the amount of equity or cash on hand required, and less equity required can be a significant factor in stimulating development. It should also be noted that the ability to achieve an expected rental rate where applicable is a high priority in profitable development. The sensitivity of profit to expected rental rates, in addition to occupancy expectancy, is paramount to success. Furthermore, the considerable effects of interest rates on annual debt charges (payment on the loan) and the resultant cash flow before income tax depicts the need for quick execution by the LPA because time costs money to the private developer.

Understanding the effects of different costs on a project's profitability, therefore, the LPA can better realize the role its policy plays in stimulating or inhibiting private development.

Prepared By: REAL ESTATE RESEARCH CORPORATION

is necessary to "get the job done locally" may well arise among leaders as a result of having participated in unsuccessful negotiations with out-of-state developers.

- 9C. Building restrictions included in the urban renewal plan should not unduly penalize the developer in comparison with restrictions that characterize sites of comparable value in the city and surrounding area. Excessively stringent lot coverage restrictions and regulations governing building materials and exterior appearance may be enough to turn away desirable developers. In negotiating with potential hotel-motel developers, it is important that the LPA have realistic structural and esthetic goals, based on a knowledge of the elements that enter into rendering a hotel or motel development financially feasible.

If interested and favorable developers have refused to build in the project area because of stringent regulations, the LPA should carefully compare its development standards with those of competitive hotel-motel sites in the city and the region, realizing that the amount of money a lodging facility can afford to spend in construction is closely related to the quality of the location and the projected patronage. This is especially important when the site is not in the most desirable portion of the downtown area.

If the LPA decides to relax its restrictions, those prospective developers who had previously withdrawn because of the stringent regulations should be contacted again by the LPA and informed of the changes.

Typically, a hotel or motel developer will be required to furnish adequate on-site parking for his facility. In intensively developed portions of the downtown area, where land is especially costly and the number of rooms will be large, the cost of furnishing adequate on-site parking will be extremely high. Although LPAs' on-site parking requirements are generally justified, any aid that the LPA or the city can provide with regard to such parking facilities may make the difference in the feasibility of a major hotel or motel.

In Louisville, Kentucky, a bond issue was floated to finance a major functional and aesthetic public facility (a plaza overlooking the Ohio River with abundant public parking beneath the structure). The new 25-story Galt House Hotel leases the necessary parking

spaces for a very reasonable fee. Without such a favorable arrangement, this impressive hotel might not have been constructed.

- Hold Land For Future Marketing

There are certain conditions under which the decision to hold land for future marketing presents itself as a necessary or preferable temporary course of action. Examples of such circumstances are as follows:

Necessary

- The overall market for good CBD hotel-motel land is temporarily very soft.
- Extremely tight monetary conditions have rendered a fast rate of absorption highly improbable.
- City, state, or federal street or highway improvements that are integral to the project area's functioning have been postponed or considerably altered, and the LPA cannot control their timely implementation.
- Serious crime within or near the area has temporarily stigmatized the project. (This often causes heightened perception of danger, which has the same effect as real danger.)
- Major alterations in the urban renewal plan are underway, and ultimate decisions will affect the parcel(s).

Preferable

- A desirable potential user needs several months to finalize future plans and arrive at a decision to locate in the project area (but has given evidence that he is not simply stalling).
- A major public institution has dire need for temporary use of certain parcels.
- A number of existing and proposed businesses and institutions need surface parking until developers or the city build parking garages.
- The desirable future development of certain parcels will have to be determined when the precise nature of development on other parcels has been established.

- Strong efforts are still being made to attract a single developer for a number of parcels.
 - The city's systematic plan calls for temporarily diverting a certain type of development to another urban area in order to achieve maximum impact.
10. When the temporary tactic of holding land for future marketing is necessary or preferable, there are a number of tests that should be applied regarding the use or non-use of the land during the interim period. The eventual disposition of urban renewal land is basically an economic activity, and the economic return of cleared land while its disposition is unavoidably delayed should be a prime consideration. When parcels are clearly doomed to remain vacant for several years' time, an interim use may be advisable. Whenever possible, such a use should yield net income or at least offset maintenance and carrying costs. When an income-producing use is impossible or potentially detrimental to future sale or to the existing environment, the land should be left vacant (but maintained) or should be temporarily devoted to a use that will serve the public interest and enhance the marketability of other disposition parcels in the project area.

An interim use is not feasible as far as the LPA is concerned if it involves:

- Clearly unretrievable monetary expenditures without the probability of enhancing marketability in other portions of the project area.
- A strong chance that the interim use will not be able to be terminated when re-marketing is advisable (for example, if a neighborhood might object publicly to the subsequent sale of an interim vest-pocket park).
- The time is ripe, or soon will be, for the sale of the given parcel(s), and the interim use will jeopardize marketing.

The following tests should be applied when considering interim use:

- 10A. If a suitable interim use will produce net income to the LPA, it is ordinarily the most desirable use. The best example of such use is the provision of badly

needed surface parking facilities in a downtown area. Often a CBD area sorely needs an abundance of temporary parking facilities in addition to firm plans for future supportive parking to even interest prospective commercial and office developers. Such temporary parking lots, with modest site preparation, will usually produce net income and enhance the redevelopment potential of the CBD area.

- 10B. When suitable net-income-producing uses cannot be found, it may prove advisable to temporarily allow free or low-cost use of the land to support existing uses. In the case of hotel-motel land, for example, one or more businesses or office buildings adjacent to the vacant land might be in need of temporary private parking space, and the gesture of the LPA to allow such use for a nominal fee may result in important benefits for the project area.

We have seen renewal projects in which the exterior renovation and landscaping of existing buildings moved slowly, though such rehabilitation was important to the image of the project area. The combination of an LPA's persistent efforts to bring about a willingness to renovate on the part of the owners, along with such gestures of good will by the LPA as allowing interim use of space for storage, may be a tool to bring about better cooperation. The temporary nature of such uses must be made clear from the outset, however, and the LPA must not be susceptible to threats by the firm(s) when the time comes to terminate the use.

- 10C. If certain parcels can be devoted to an interim use that will serve the public interest without jeopardizing their sale when the time is right, such use may be preferable to protracted vacancy. In such a case, minimal-cost leasing or use in exchange for the service of maintenance are in order. Examples that we encountered in the course of this study include the temporary use of cleared land for tot lots or playgrounds, and the provision of parking for university students and employees. Pocket parks within the downtown area, tastefully though inexpensively furnished, can do much to create a feeling of pleasantness within a rather intense urban environment. An excellent example of the manner in which such areas enhance the CBD can be seen along the new pedestrian walkway in the Central City Urban Renewal Area in Evansville, Indiana. Such interim use may help to produce greater regard for the urban renewal program within the community and increase the marketability of nearby sites.

11. The term "land-banking" refers to the voluntary setting aside of vacant improved land with plans to market it at a future date. This may be a desirable approach regarding certain parcels or tracts for the following reasons:
- 11A. A developer or developers may submit an integral plan to redevelop several acres in a desirable fashion, but they may not be ready to enter into a contract to purchase the entire acreage until certain portions have been developed. Although our studies have shown that such comprehensive development schemes often fail to materialize, it is sometimes wise to landbank unsold and uncommitted portions of the planned area while the developer is allowed to proceed with the initial phases of his proposal. Situations of this type require month-to-month vigilance on the part of the LPA to avoid wasting years of potential marketing time regarding the landbanked parcels. The greater the probability of eventual realization of the entire development, the more time that can be risked for the land in question.
- 11B. Careful analysis regarding some parcels may reveal that a waiting period is expedient by reason of the likelihood that the marketability for favorable reuse of the site will increase considerably in the foreseeable future. We have used the words "careful analysis" and "likelihood" in order to differentiate such judgments from the mere use of soft market conditions as an excuse to wait passively for a buyer to walk in the door.

A good example of carefully calculated landbanking was evident in one of the cities RERC studied. The urban renewal projects were directly competing for the same types of reuse on comparable sites. Rather than allow a haphazard dissipation of potentially catalytic redevelopment, the city made a clear choice to direct marketing efforts and supporting facilities to one of the projects, while holding some land in the other project for intensive redevelopment when the market caught up with the available inventory of land.

- 11C. A site may be earmarked for a very desirable and highly probable development, which for various reasons cannot occur for a period of some months or years. For example, we have seen a well-planned civic center area that depended for its completion upon decisions of four different governmental entities

to build office structures within the area. There was strong reason to believe that, if the land could be kept open for such use, the necessary decision would eventually be made. The deteriorated condition of many structures within the area mitigated against delaying demolition until the governmental entities were ready to build.

10

INADEQUATE INTEREST IN INDUSTRIAL LAND

A. Statement of the Problem

One of the key general problems encountered in urban renewal land disposition is private developer lack of interest in the cleared and improved sites. Once projects are ready for marketing, disposition just has not occurred as rapidly as most LPAs have expected. Developers have been hesitant about undertaking projects on renewal land for many reasons, including the following:

- Because the city and metropolitan area are declining and there is little replacement demand for space.
- Because new construction has traditionally occurred in the suburbs and the urban renewal areas are unfamiliar turf for developers.
- Because the local market has been temporarily overbuilt.
- Because builders are unwilling to take the added risks of pioneering in urban renewal areas, especially with the attendant restrictions and red tape.
- Because the land prices are not low enough to offset development risks.

- Because only a limited number of developers have the experience and financial capability to undertake some of the planned large projects, and the LPAs have not contacted them, or have not approached them persuasively enough.
- Because the LPA is not adept in dealing with private developers.
- Because some of the planned projects are out of scale for their local market.

In addressing these and other marketing problems, we have focused on separate land uses in five different chapters. This chapter concerns industrial land. Other chapters deal with residential, retail, office, and hotel-motel land. Though there is considerable repetition among the five chapters concerned with urban renewal reuse market resistance, large sections of each chapter are devoted specifically to one reuse. With the text on this general subject divided into five chapters, readers can concentrate on their problems with one particular reuse without being distracted by questions and answers relating to other uses. Persons who have problems in marketing properties of several types can easily skip over repetitive material in the various chapters they are using.

B. Basic Strategy Alternatives

There are two basic alternative ways of trying to deal with the problem of inadequate interest in industrial land. These may be summarized as follows:

- Continue to Market Land Under Present or Modified Reuse-- This involves intensifying and/or redirecting the marketing program to take full account of local market conditions, the potential for the site, the needs and realistic demands of an industrial developer, and possible tradeoffs or assistance that the LPA could offer a potential developer.
- Hold Land for Future Marketing-- This alternative involves consideration of interim uses, leasing of sites for temporary use, land banking the property in anticipation of improvement in market conditions, and the "last resort" of donating the site to eliminate LPA maintenance costs.

Tests to determine which of these two alternatives would offer appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 11 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column,

PROBLEM: INADEQUATE INTEREST IN INDUSTRIAL LAND

basic alternatives	tests	findings	specific actions
Continue to Market Land Under Present or Modified Reuse.	1. Are the following plan-related problems inhibiting marketability?		
	1A. Is the current plan for the unsold industrial inventory compatible with development that has already occurred within the project?	Yes No	Apply other tests in this set. Consider plan revisions. See Chapter 13 ("Inflexibility of Project Plan").
	1B. Are the design and development standards in the plan restricting marketability?	Yes No	Re-evaluate development standards in light of competitive industrial land inventory in region and revise as appropriate. Apply other tests in this set.
	1C. Are constructed and planned utilities adequate to meet the needs of potential reusers?	Yes No	Apply other tests in this set. Re-evaluate planned utility types and capacities in light of current market findings and realistic reuse potential.
	2. Have the current and projected markets for industrial land and competitive prices been reviewed?	Yes No	Apply other tests in this set. Apply Tests 2A and 2B.
	2A. Does the LPA have current and realistic information regarding the strength and characteristics of the market for industrial land?	Yes No	Apply other tests in this set. Prepare current and realistic market analysis for unsold inventory.
	2B. Has land pricing been reviewed?	Yes No	Apply other tests in this set. Prepare current and realistic price schedule relying upon land residual appraisal approach. See Chapter 5 ("Overpriced Land").
	3. Have the following actions been taken to put the sites in good and marketable condition:		
	3A. Is all trash regularly removed?	Yes No	Apply Test 3B. Arrange for regular trash removal.
	3B. Have all structures scheduled for removal been demolished?	Yes No	Apply Test 3C. Contract for demolition.
	3C. Are sidewalks, curbs, and on-site utilities in good condition?	Yes No	Apply Test 3D. Contract for repairs.
	3D. Is regular surface maintenance of sites provided?	Yes No	Apply other tests in this set. Arrange for grass cutting, etc.
	4. Have project area public improvements been made (e.g., street widening and paving, curbs, gutters, street lighting, storm and sanitary sewers)?	Yes No	Apply other tests in this set. Make improvements. Consider staged program of physical improvements when the designated area is extremely large.
	5. Are promotional efforts appropriate for the size and scale of the intended development?	Yes No	Apply other tests in this set. Prepare polished promotional materials; encourage existing redevelopers to participate in promotion. See Chapter 24.

PROBLEM: INADEQUATE INTEREST IN INDUSTRIAL LAND

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
	6. Has the bulk of the existing inventory of industrial land been actively marketed as follows:		
	6A. Has the LPA contacted abutting industrial users regarding need for expansion space?	Yes No	Apply Test 6B. Contact adjacent owners.
	6B. Has the LPA contacted local industries regarding need for expansion space?	Yes No	Apply Test 6C. Contact local industries. Screen firms to match site/project characteristics with needs of types of industries.
	6C. Has the LPA contacted brokers specializing in industrial land sales?	Yes No	Apply Test 6D. List offerings with industrial real estate brokers.
	6D. If the LPA has a large inventory of contiguous industrial land, have potential single developers been contacted?	Yes No	Pursue this action exhaustively; apply Test 6E. Contact experienced local industrial developers; consider use of industrial development commission; contact national industrial developers.
	6E. Is the LPA coordinating its activities with local/state economic development agencies, chambers of commerce, utility companies, and other groups concerned with industrial development?	Yes No	Apply Test 6F. Develop close working relationships with all existing groups, including referral system for interested industrial users.
	6F. Is the LPA and/or city competing with itself by simultaneously marketing comparable sites?	Yes	Develop phased marketing strategy based on realistic land absorption, projections (reapply Test 2) and coordinate marketing with any competing city agencies. Apply Test 6G. Apply other tests in this set.
	6G. Does the LPA attempt to divert a potential buyer to a less marketable site if it would meet the buyer's needs?	No	Apply Test 6H. Evaluate fully each potential buyer's needs and attempt to sell parcels with lower desirability from outset of marketing effort.
	6H. Has the LPA carefully chosen among the various methods of offering sites?	Yes No	Apply other tests in this set. Evaluate the various methods of offering land in relation to each parcel or groups of parcels. (See Chapter 3.)
	7. Are negotiations being conducted effectively?	Yes No	Apply other tests in this set. Apply Tests 7A and 7B.
	7A. Are negotiations being conducted by staff members knowledgeable about financial and market elements of industrial development?	Yes No	Apply Test 7B. See Chapter 18 ("Insufficient Disposition Staff Capabilities"); apply Test 7B.
	7B. Are key public and private leaders being asked to participate in negotiations with potential developers of major parcels?	Yes No	Apply other tests in this set. Encourage participation but coordinate efforts to assure presentation of "united front" to potential developers.

PROBLEM: INADEQUATE INTEREST IN INDUSTRIAL LAND

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
	<p>8. Are there adverse conditions beyond the LPA's control:</p> <p>8A. That are delaying project marketing?</p> <p>8B. That are temporary and correctable? (see text)</p>	<p>Yes</p> <p>No</p> <p>Yes</p> <p>No</p>	<p>Apply test 8B.</p> <p>Apply other tests in this set.</p> <p>Perform as much preliminary marketing as possible until conditions change.</p> <p>Apply other tests in this set.</p>
Hold Land for Future Marketing	<p>9. Are there feasible interim uses?</p> <p>9A. Are there interim uses that would produce net income, such as parking lots?</p> <p>9B. Are there interim uses that would be supportive to uses in the project area, such as storage space for adjacent firms?</p> <p>9C. Are there other situations in which interim uses would serve the public interest better than continued vacancy?</p> <p>10. Is holding the land in a land bank desirable because:</p> <p>10A. The site is considered for a specific future development with a high probability of occurrence at a planned date?</p> <p>10B. Future market conditions are likely to improve so as to make sales price and intensity of redevelopment more favorable?</p> <p>10C. There is an apparent reuse for the site in the foreseeable future?</p> <p>11. Could sites be donated to someone who would maintain them in good condition or use them in an acceptable manner?</p>	<p>Yes</p> <p>No</p> <p>Yes</p> <p>No</p> <p>Yes</p> <p>No</p> <p>Yes</p> <p>No</p> <p>Yes</p> <p>No</p> <p>Yes</p> <p>No</p>	<p>Apply Tests 9A and 9B.</p> <p>Apply other tests in this set.</p> <p>Analyze market for interim use(s).</p> <p>Apply Test 9B.</p> <p>Consider such uses.</p> <p>Apply Test 9C.</p> <p>Consider such uses.</p> <p>Apply other tests in this set.</p> <p>Hold in land bank and maintain site until scheduled date of use.</p> <p>Apply Test 10B.</p> <p>Hold in land bank and maintain site. Review semi-annually.</p> <p>Apply Test 10C.</p> <p>Reconsider earlier tests.</p> <p>Apply other tests in this set.</p> <p>Consider donation, especially if maintenance costs are high.</p> <p>Place in long-term land bank and maintain in good condition.</p>
Prepared by Real	Estate Research Corporation and RTKL, Inc.		

we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of inadequate interest in industrial land read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Inadequate Interest in Industrial Land." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the two alternatives are included as sub-headings to clarify the context of the discussion of the tests.

- Continue to Market Land Under Present or Modified Reuse
 - 1A. If an industrial land use area is experiencing little interest in its offerings, various aspects of the project's planning should be re-examined. When industrial reuse parcels have remained unsold over several years' time, other portions of the project

area, or surrounding land uses, may have undergone considerable change. Sometimes these changes have been foreseen in the original land use plan. But often the actual redevelopment that has taken place varies significantly from earlier expectations in terms of type or character of the reuse.

Within the industrial reuse area itself, commercial reuses may recently have been established, suggesting that the remaining tracts might be more suitable for commercial than light industrial use. Also, the internal or surrounding street system may have changed in a manner that had not been foreseen in the original plan. Furthermore, the quality of the redevelopment that has taken place might be less impressive than the LPA's hopes in the initial stages of the project, requiring that the LPA "lower its sights" regarding the reuse potential of remaining land if its marketing efforts are to be realistic. This lowering of sights may involve several actions treated in subsequent parts of this chapter. On the other hand, the failure to note recent and current changes in the project area may in effect blind the LPA to new disposition opportunities that have come about since execution began.

Thus, the unsold inventory of industrial land should be re-evaluated in terms of completed or firmly committed developments and changes within and surrounding the industrial reuse area. Conducting an effective marketing program for unsold sites usually requires a specific concept of the types of users who should be interested in locating there.

Re-evaluating unsold parcels in terms of recently established surrounding uses may reveal the need for basic changes in the urban renewal plan. The pitfalls of an inflexible plan are discussed at length in Chapter 13.

- 1B. Building restrictions included in the urban renewal plan should not unduly penalize the developer in comparison with restrictions that characterize sites of comparable value in the city and surrounding area. Excessively stringent lot coverage restrictions and regulations governing building materials and exterior appearance may be enough to turn away desirable developers. In devising design and development standards for industrial areas, this danger is particularly serious. Both in terms of new development and required rehabilitation of existing industrial building, it is important that the LPA have realistic

structural and esthetic goals, based on a knowledge of the profit margin of existing industries and the present and achievable character of the particular industrial area. Although the LPA should not condone the tendency of certain firms to ignore totally their external appearance, it must be remembered that many small and moderately sized industrial firms are understandably reluctant to place their profits in expensive landscaping and generous amounts of open space. Their need for a fine appearance may be far exceeded by their need to replace machinery or to maximize working and storage space.

If interested industrial developers have refused to build in the project area because of stringent regulations, the LPA should compare its development standards with those of competitive industrial sites in the city and the region, realizing that the urban renewal project area may not be able to attract the same type of firm as a new and prestigious office-industrial park in the suburbs. Current standards within the project area may be unrealistically high and may thus be seriously limiting the marketability of sites. If the LPA decides to relax its restrictions, those firms that had previously withdrawn because of the stringent regulations should be contacted again by the LPA and informed of the changes.

- 1C. It is fundamental to the marketability of industrial land that the nature and capacities of constructed and planned utilities be adequate to meet the needs of the proposed reusers. If interested firms have rejected project sites because of the lack of insufficient capacity of one or more utilities, the whole question of the utilities needed for the project area should be re-evaluated and necessary changes should be made as soon as possible. To act otherwise may simply be wishful thinking. As noted above, when the LPA makes favorable changes such as improving the capacity of utilities, industrial firms that previously showed interest in project sites should be contacted once again, informed of the changes, and invited to reconsider locating in the project area.
- 2A. Prior to the approval of Loan and Grant - Part II, a marketability study and reuse appraisals were completed for each project and submitted to HUD. At that time, the planned reuses had been declared marketable, and an estimated rate of land absorption was normally included. Nevertheless, if sizable portions of land designated for industrial reuse have

remained unsold over a period of years, the original market study has probably become outdated. Perhaps it was not realistic from the beginning.

We have found that, for various reasons, many LPAs placed little stock in the conclusions and recommendations of the original market analysis. We believe such market analysis is important, and when land has remained unsold over several years time, the LPA should carefully review the original market study to see whether developments and trends that have taken place in the interim may have radically changed the marketability of certain reuses in the project area.

The question of the marketability of various uses on a particular site is so basic that promotion, marketing efforts, and public improvements can be wasted if the market simply is not there and cannot reasonably be expected to appear in the future. If the LPA suspects a pronounced absence of current and future marketability for the proposed reuse, we recommend that reliable and up-to-date market information be developed and analyzed by an appropriate professional person or firm. Such a re-evaluation should include recommendations for an alternate, more marketable reuse if the originally designated reuse is found to be unmarketable. A study of this type should also provide a probable rate of absorption regarding unsold land in light of current and expected developments and trends. This can serve to guide the LPA's expectations for the rate of disposition. The agency must realize, however, that the actual rate of absorption will depend significantly on the quality of its marketing effort.

Even when the market is relatively strong and the price of the land is competitive, determination of the type and intensity of development that will be financially feasible on a given site requires further technical consideration. Thus, it will often be wise for the LPA to request a feasibility component within the market study to indicate the scale and character of development that the LPA can realistically seek and the land price that a typical industrial firm could afford to pay. Especially in the case of speculative development of facilities for lease, the market and feasibility study itself may prove useful to the LPA for promotional distribution to potential users.

It is important to note here that the LPA should not apply pressure upon the market analyst to recommend a high type of reuse just because such a reuse fits ideally into the project plan and will generate higher revenue. If the market conclusions are virtually dictated by the LPA rather than by the data, method, and objective judgment of the analyst, a decade can easily be lost in attempting to dispose of the land according to a favorable but financially unrealistic redevelopment scheme.

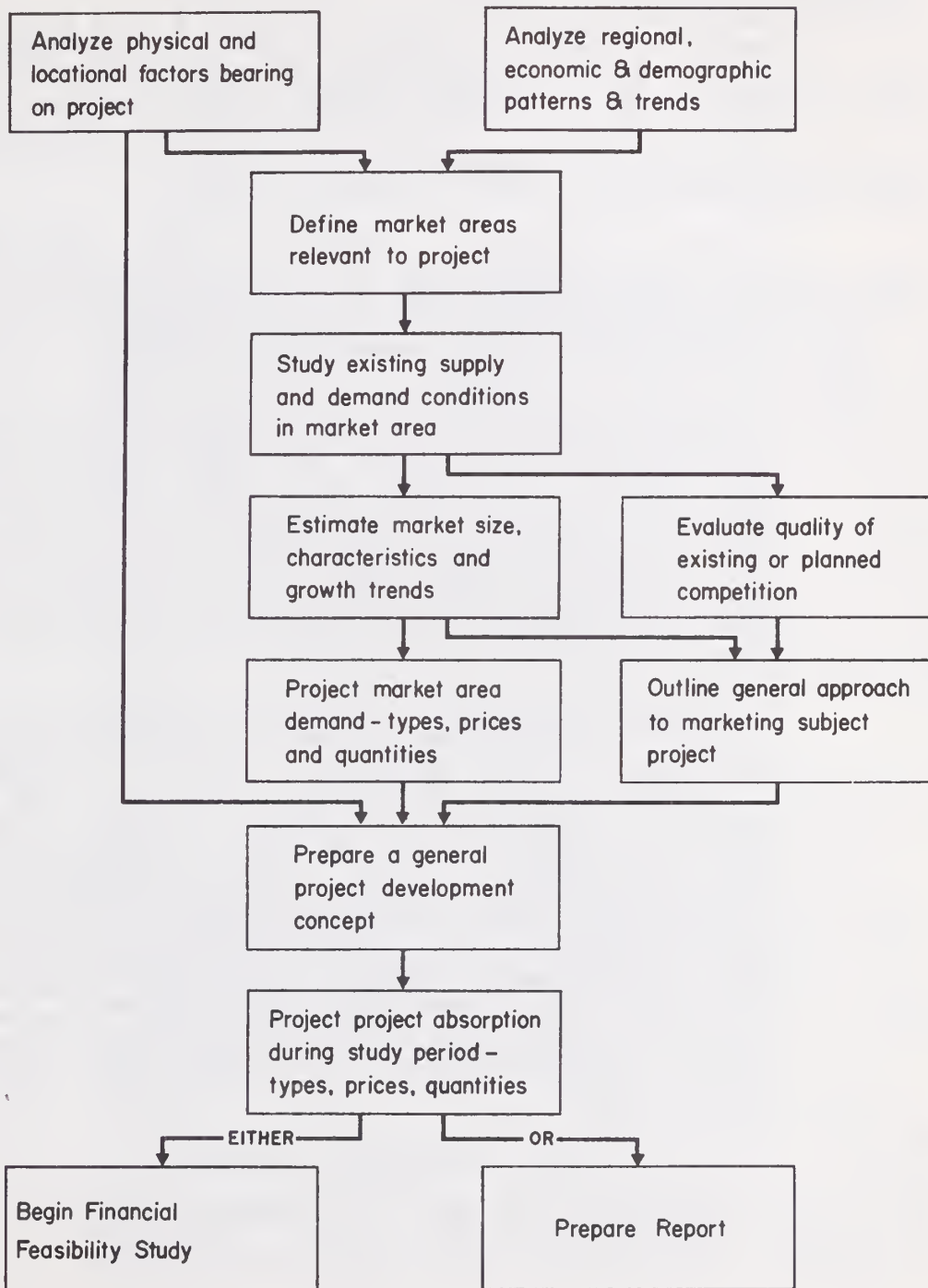
During the past decade, the proliferation of suburban industrial parks on relatively inexpensive land has produced a radical change in most cities regarding the marketability of inner-city industrial sites. The newer suburban sites often provide, in addition to less costly land, an environment of prestige, convenient access to radial and circumferential highways, proximity to employees' homes, and freedom from the dreariness, vandalism, and high taxes that often characterize inner-city industrial areas.

In our analysis of urban renewal projects throughout the nation, we studied a number of inner-city and CBD-frame projects designated wholly or partly for light industrial reuse. Typically, the disposition of such sites had progressed more slowly than the original market study had suggested. Expansion of stable, existing industries has been the crucial source of disposition. Efforts to obtain substantial exterior rehabilitation of existing industrial buildings have characteristically met with little success. The most typical result of these projects has been the rejuvenation, stabilization, and expansion of an aging industrial or mixed land use area, with the new environment being more functional and more attractive than the former. But seldom can the process result in the kind of open and orderly atmosphere that new suburban industrial parks so easily create.

The chart on the following page indicates the components of a typical market study. Aspects of the feasibility component are discussed under Test 7 in this chapter.

- 2B. The question of land pricing is especially critical regarding inner-city industrial sites. Many small industrial operations are operating on a comparatively narrow margin of profit, and their tendency is to give great weight to the price of land in determining their location. Again, the competition of suburban sites

ORGANIZATION OF WORK ELEMENTS: MARKET ANALYSIS



Prepared By: REAL ESTATE RESEARCH CORPORATION

and the availability of competitive inner-city sites often compound the difficulties of marketing industrial urban renewal land.

The fundamental problem of overpriced land is discussed in detail in Chapter 5, and the advantages to be gained from reappraising the unsold land with a land residual appraisal approach are presented there. The significance of the price of land in rendering industrial development economically feasible will be illustrated in Test 7 of this chapter.

As noted in Chapter 5, "Overpriced Land", the financial disadvantages connected with reducing the price of a given site may well be outweighed by the resulting advantages to the city in quickly returning the land to tax-revenue-producing status.

3. It is the LPA's responsibility to see that the stage is set for showing available parcels to their best advantage. If the site or the overall project area has a negative appearance or if basic functional improvements have not yet been made, potential industrial developers may be repelled without the LPA ever knowing that they were interested. Basic site improvements and demolition of deteriorated structures are important first steps toward marketing industrial land.

A favorable appearance of both the individual parcels for sale and of the project area in general sets the stage for effective marketing. When the prospective purchaser's general impression is negative, the future potential of the site he or she is looking at may bear little weight on his decision. Despite the fact that some industrial firms continue to thrive in aging, unsightly industrial areas, these are not the circumstances under which to market industrial land for which the price has been set in anticipation of a renewed and carefully planned environment. The LPA must keep in mind the competition of new suburban industrial parks and place a high priority on maintaining a positive image within the project area. Specifically:

- Trash should be removed regularly.
- Buildings that are to be removed should be demolished.

- Sidewalks, curbs, and on-site utilities should be in good condition.
- Sites should be graded and planted with grass, spread with wood chips, or otherwise surfaced in a neat and orderly manner.
- Regular maintenance should be provided to keep weeds under control.

This benefits the entire project area and enhances the marketability of the specific disposition sites.

4. For many reasons, the implementation of public improvements is of fundamental significance in preparing the way for effective marketing of land, and this applies to industrial as well as other types of land. We visited one industrial project in which less than 17 percent of the project improvements had been accomplished during the five years of execution. This was not entirely the LPA's fault, since the major portion of the improvements involved a proposed new street alignment of crucial significance to industrial users. None the less, both the physical and psychological impacts of a city's failure to do its part in renewing the project area create a poor context in which to attempt to market land or encourage rehabilitation. Timely implementation of public improvements provides the necessary groundwork for proceeding with aggressive marketing.

If aggressive efforts are being made to market specific industrial sites, public improvements should already be completed. This includes installation or replacement of storm and sanitary sewers, street widening and paving, installation of curbs and gutters, and provision of street lighting. Evidence of public commitment to the project area increases the confidence of both potential investors and remaining industrial users. In many cases, new curbs are damaged during subsequent construction on industrial parcels, but the increased marketability of sites after improvements are made generally outweighs the relatively minor cost of repairs after construction. Regarding special utilities that might be needed by a heavy user, it is advisable to wait until a parcel has been sold before installing such utilities. In the case of an extremely large industrial project area, public improvements cannot be installed simultaneously throughout the project.

Since marketing efforts are weakened when planned physical improvements have not yet been made in an area, the LPA might consider staging its marketing in accordance with installation of public improvements and facilities.

5. We have found that renewal agencies throughout the nation vary widely in their use of promotional materials and approaches. The importance of good promotional materials and use of a variety of marketing techniques and approaches are discussed in Chapter 3.

Regarding promotion of available industrial land, we believe that an attractive and informative brochure to advertise available land will pay for itself in terms of accelerating disposition. Effective promotional material need not be expensive but should be adapted to the character of the planned reuse of the area. In some instances, available urban renewal land may hold strong potential for attracting a national industry into the city; if such is the case, promotional materials should be of high quality and should be widely circulated by mail. If the land is of local interest only, simple but well prepared materials will be sufficient.

Besides the brochure, leaflet-type circulars can be used effectively regarding individual parcels within an industrial area. An attractive map of the site, illustrating access and surrounding uses, can be a valuable tool to interest potential developers and real estate brokers. Portions of such materials can also be used for newspaper or magazine advertisements.

Promotional activities regarding sites of exceptional size or outstanding location should ordinarily be more intense than for small parcels or for sites for which the most obvious use is expansion of an existing industry. Attracting a prestigious firm to locate in the project area is generally of immense value for securing additional industrial users.

In most cities, there are local or state organizations and utility companies whose major function is to stimulate economic growth in the area. A Chamber of Commerce is the most typical such agency, but in many cities there are a number of promotional groups with differing emphases and varying levels of promotional activity. In Louisville, Kentucky, for example, we found three civic organizations that engaged

effectively in promoting the city regionally and/or nationally. It is important for the LPA in any city to be familiar with such organizations and to maintain contact with their officials. For example, where the promotion of industrial sites and the attraction of new industries are engaged in by a local organization, available urban renewal land should be included in advertisements, even if the sites are smaller in scale than the other advertised properties. In turn, the LPA might well devote a commensurate portion of its marketing budget to aiding the publication and circulation of effective industrial promotion materials.

A number of persons outside the LPA should be asked to help promote urban renewal sites, especially sites primarily of local interest. Perhaps the best source of such promotion regarding industrial areas is the "satisfied client" -- the business that has chosen to locate or to remain in the project area and desires to attract the best possible neighbors.

The efficacy of attractive "for sale signs", occasionally moved to different portions of a site, should not be underrated. We believe these signs play an especially important part in industrial reuse areas.

6. Besides more generalized promotion activities that attempt to create interest somewhat at random, direct and active marketing of urban renewal land is necessary regarding most parcels if disposition is to proceed with the kind of efficiency that characterizes private enterprise sales efforts. The marketing approaches discussed below are basic in attempting to dispose of industrial sites.
- 6A. The LPA should contact all abutting industrial users regarding need for expansion space. This should be done long before the land can be made available for sale. Even if a firm expresses lack of interest, the LPA should assess the reason. For example, is the appraised price the obstacle?
- 6B. The LPA should systematically approach other local industries regarding needs for expansion space.
- 6C. Serious efforts should be made to involve real estate brokers specializing in industrial land sales to aid in marketing the land. Ordinarily, such efforts will have to go beyond the "general mail-out" approach and

should involve personal contact at least by telephone. Well-prepared promotional materials can aid the broker, and the ready availability of further descriptive and explanatory material from the LPA will provide encouragement for broker involvement. The lack of such serious efforts to secure the professional assistance of brokers will almost inevitably result in minimal broker participation in the sales of urban renewal land. Such has been the case in almost every city to date.

- 6D. In the case of very large parcels or tracts that possess singularly desirable features for industrial development, the LPA should directly contact single industrial developers and attempt to interest them in purchasing the entire tract. Such contact might be made by a local industrial development commission, but the point is that major potential developers, both local and national, should be more poignantly aware of the opportunity that this urban renewal tract affords. For the most likely developer prospects, a mail-out brochure is not sufficient to maximize the probability of efficient disposition of the land.
- 6E. Related to the previous point and to Test 5 above, we emphasize again the importance of establishing a working relationship with state and local agencies and organizations that promote industrial growth for the area. Their programs of active marketing should include the choice sites of urban renewal land, and their experience and contacts at the regional and national levels may prove to be of immense importance in attracting major developers.
- 6F. Is the LPA competing with itself (or with the city) by flooding the market with comparable industrial sites? If this seems to be the case, the answer is to carefully phase the marketing of land within and among competing projects, using up-to-date market analysis to guide the phasing. This process will be further discussed in Test 9B.
- 6G. In cases where a buyer's needs can be well satisfied by a less marketable parcel, does the LPA attempt to divert the buyer's attention from the more desirable site? This basic orientation helps to maintain a highly saleable inventory of land and decreases the number of parcels that will be most difficult to sell. This approach is generally more appropriate with industrial users than with other types of developers.

Such an approach in no way signifies an attempt to sell land that fails to meet the buyer's needs, but it does signify astute marketing on the part of the LPA staff.

- 6H. In relation to the particular type of reuse, the size and other characteristics of the parcels in question, state and local legislation, and other conditions that may be unique to the locality or to the parcels, the LPA should carefully consider the positive and negative features of the six basic methods for offering urban renewal land. These methods are described in Chapter 3.

In some cities, the LPA never varies its method of offering parcels. Especially in the case of those parcels that have proven difficult to dispose of, we believe the LPA should weigh the advantages of the other possible methods to be certain they have chosen the one best suited to the particular case at hand.

7. Once a potential developer has expressed interest in a parcel or parcels, the process of negotiation begins. If negotiation is successful, the land in question is placed under contract. When circumstances result in delays in development, extensions may have to be granted or the contract terminated. In such cases, negotiation can technically be said to continue until the land is officially disposed of or the contract is terminated.
- 7A. A person conducting negotiations with potential developers of industrial land must be aware of the financial and market elements that are of fundamental importance to interested industrial users. For example, image and visibility are of relatively minor importance to many small firms. Favorable local and/or regional access for shipping and receiving by truck are often of key importance. The presence of rail service is desirable, though it is unimportant for an increasing number of firms. Although a large percentage of industrial firms can thrive in aging surroundings and relative obscurity, few will choose to locate in an area characterized by crime and vandalism. Protection from such losses may be an item of prohibitively high cost.

In negotiations with a potential industrial user, it is important to understand the priorities of his or her firm and to be aware of the strong points and weak points of the site in relation to the firm's operations. Inflexibility regarding development restrictions can very easily kill negotiations with a firm that cannot afford the luxury of high "image consciousness," but that may be an appropriate user. "Nuts and bolts" is a sound concept to keep in mind when dealing with most industrial developers.

If the LPA disposition staff is inexperienced regarding the technical and singular aspects of negotiating with industrial firms, the suggestions contained in Chapter 18 may prove helpful.

To illustrate the important part that market and financial elements play in guiding the decisions of a profit-making enterprise, a pro forma investment analysis technique is often used to analyze the sensitivity of a proposed investment to various factors. This technique delineates the land cost, construction cost, and other expenses involved. Mortgage financing alternatives are evaluated to determine which type of loan a developer can obtain and the amount of equity or cash on hand that will be required. Then, a cash flow projection is made showing projected income, projected expenses, annual debt charges (payment of the loan), and a resulting cash flow before income taxes and the effects of depreciation and tax shelter. If all the parameters assumed in the pro forma are correct, the analysis yields an accurate profile of what economic gain (profit) can be expected from the total investment in land and construction costs.

It should be noted that investors carefully weigh the risk involved before determining an acceptable rate of return on an investment. Thus, a return or profit of 10 percent on a real estate investment probably will not attract an investor if he or she can for example, obtain 10 percent on a government bond that has no risk.

In the following table, we have set forth an investment analysis of an industrial-warehouse facility to describe these variables. For comparison, a desirable rate of return (profit) before taxes is assumed to be in the range of 12 to 15 percent. Anything above that can normally be considered excellent.

INVESTMENT ANALYSIS OF PROJECTED
MULTI-LEASE WAREHOUSE/OFFICE FACILITY
(80,000 Sq.Ft. Facility)

A. INVESTMENT

Land Value @ \$1.00/Sq.Ft.	\$217,800
Construction Costs @ \$7.00/Sq.Ft. (including site improvements and retaining wall)	560,000
	<hr/>
Total Investment	\$777,800

B. CASH FLOW BEFORE INCOME TAX

Effective Gross Income (Average \$1.50/Sq.Ft. Gross)		\$114,000
Gross Potential Income	\$120,000	
Less: Vacancy and Rental Loss at 5%	<u>6,000</u>	
Expenses:		25,400
Leasing Fee and Management Cost @ 5% of Effective Gross Income	\$ 5,300	
Insurance @ 2½¢/Sq.Ft.	2,000	
Maintenance and Repair @ 3½¢/Sq.Ft.	2,800	
Real Estate Taxes (rate \$5.615 per \$100 of assessed valuation, or \$272,300 x .05615)	<u>15,300</u>	
Net Annual Income		<u>\$ 88,600</u>
Yield on Total Investment ($\$88,600 \div \$777,800$) -11.39%		
Annual Debt Charges		
\$777,800 x 75% = \$583,350 loan @ 9½% for 25 yrs.;		
Factor .1049		<u>61,190</u>
Cash Flow Before Income Tax		<u>\$ 27,410</u>

C. RATE OF RETURN BEFORE TAX

Equity Investment ($\$777,800 - \$583,350$)	\$194,450
Rate of Return on Investment ($\$27,410 \div \$194,450$)	<u>14.1%</u>

Assumptions for the Sake of Example:

- Five acres cleared land @ \$1.00 Per Square Foot
- An 80,000 Square Foot Facility @ \$7.00 Per Square Foot
- A 75% loan @ 9½% for 25 years

Note that the above items are subject to variation by both region and time. For example, construction costs, maintenance costs, real estate taxes, etc., can vary monthly and will ordinarily differ by regional location. Even within a region, property taxes vary by municipality. These items can all be affected by policies of the LPA. For example, the following tables describe the effects of different values of land cost, construction cost, and vacancy rates on profit.

INVESTMENT ANALYSIS OF PROJECTED MULTI-LEASE WAREHOUSE/OFFICE FACILITY

TABLE 1
EFFECT OF CHANGES IN COST PER SQUARE FOOT
OF LAND ON TOTAL COST AND RETURN ON EQUITY

Table 1 shows the effect of the land cost on the equity return or profit. Obviously, marketability of the land depends in part on the appraised reuse value of land. If land disposition is slow, therefore, quite possibly the reuse value of the land should be re-evaluated and reduced as an incentive to development.

Land Cost Per Sq.Ft.	Total Cost	Cash Flow Before Income Tax	Equity Return
\$.50	\$668,900	\$39,480	19.7%
.75	\$723,350	\$31,690	17.5%
* 1.00	\$777,800	\$27,410	14.1%
1.25	\$832,250	\$23,120	11.1%
1.50	\$886,700	\$18,840	8.5%

TABLE 2
EFFECT OF CHANGES IN CONSTRUCTION COST ON
TOTAL COST AND RETURN ON EQUITY

Table 2 reflects the effect of changes in construction cost on equity return. Too many stringent design regulations by the LPA can effectively diminish land marketability because of the increased cost required. Thus, design standards must be prepared with a realistic view of their implications on cost and whether they are detrimental to land marketability. Flexibility in negotiations is an objective for the LPA to enhance the marketability of urban renewal sites.

Construction Cost Per Sq.Ft.	Total Cost Incl. Land	Cash Flow Before Income Tax	Equity Return
\$6.00	\$697,800	\$33,700	19.3%
6.50	\$737,800	\$30,550	16.5%
* 7.00	\$777,800	\$27,410	14.1%
7.50	\$817,800	\$24,260	11.9%
8.00	\$857,800	\$21,110	9.8%

TABLE 3
EFFECT OF CHANGES IN AVERAGE OCCUPANCY ON
INCOME AND RETURN ON EQUITY

Table 3 describes the effects of varying occupancy rates on equity return. Through proper marketability analysis and the preparation of feasible plans, the LPA can aim for a scale of development which should achieve profitable levels of occupancy. Also, the LPA must realize that provision of public improvements and services is instrumental to desirable occupancy rates, thereby increasing the profit margin for the developer.

Average Occupancy Rate	Gross Income	Cash Flow Before Income Tax	Equity Return
100%	\$120,000	\$33,410	17.2%
* 95%	\$114,000	\$27,410	14.1%
90%	\$108,000	\$21,410	11.0%
85%	\$102,000	\$15,410	7.9%
80%	\$ 96,000	\$ 9,410	4.8%

*Based on calculations used in preceding investment analysis.

The above three variables have been taken independently. Imagine the negative impact of an overpriced land parcel plus too many stringent design controls. Although these particular variables have been singled out, the LPA must also be aware of the impact of real estate taxes, maintenance costs, insurance and other variables which affect the return on investment.

Not noted in the previous analysis, lower overall costs tend to lower the amount of equity or cash on hand required, and less equity required can be a significant factor in stimulating development. It should also be noted that the ability to achieve an expected rental rate where applicable is a high priority in profitable development. The sensitivity of profit to expected rental rates, in addition to occupancy expectancy, is paramount to success. Furthermore, the considerable effects of interest rates on annual debt charges (payment on the loan) and the resultant cash flow before income tax depicts the need for quick execution by the LPA because time costs money to the private developer.

Understanding the effects of different costs on a project's profitability, therefore, the LPA can better realize the role its policy plays in stimulating or inhibiting private development.

Prepared By: REAL ESTATE RESEARCH CORPORATION

- 7B. In the case of prime parcels suited to major industrial users, every effort should be made to involve key public and private leaders in negotiations with potential purchasers. The LPA must be aware that the location or expansion of a major industry within the city is typically of great importance to the local economy, and the task of securing or retaining such an operation appropriately involves persons of the most stature, experience, and power within the community. At the very least, the involvement of such persons indicates to the potential user that the city strongly desires his or her location there. Furthermore, such key persons can often identify or authorize special incentives to persuade the firm to locate on the site. The "selling power" of the LPA with regard to major industrial parcels may well be doubled or tripled by involving key local leaders in the negotiation process.

It is important that key leaders and LPA staff present a "united front" in negotiating with industries. This requires effective communication among the city's various participants prior to meetings with the prospective purchaser. From the city's point of view, the location of a major industry on any suitable site within its boundaries is clearly advantageous, but the LPA must emphasize the merits of the site or sites for which it is responsible. The LPA is in a stronger position to insist upon this emphasis with local leaders if the initial interest arose by means of its own promotion and contact. Ideally, the LPA's contact and coordination with key local leaders should be an ongoing process rather than a "one-shot" affair.

- 8A. Even when an Agency's marketing program is skillful and aggressive and site and project improvements have been well planned and efficiently implemented, adverse conditions beyond the LPA's control may be impeding disposition. Sometimes these are attributable to national trends, sometimes to singular local conditions or events. Examples of such factors that might delay disposition of industrial land are as follows:

National Trends

- Periods of tight monetary conditions.
- The trend toward new suburban industrial parks.

- The completion of circumferential expressways and of additional radial expressways.
- Increased industrial use of air freight.
- Flight of residential and shopping center development to the suburbs.
- Rising crime rates in inner-city areas.
- Comparatively high tax rates to support central-city services.

Local Conditions or Events

- Sluggish economy and lack of investment in the central city.
- Singularly high perceived crime rate in or near the project area.
- Lawsuits regarding condemnation or plan changes.
- Local opposition to urban renewal program or to a specific project.
- Racial disturbance in or near a project area.
- Intense and/or long-term labor problems in the city.
- Failure of city, state, or federal agencies to implement projects around which the urban renewal plan has been conceived (e.g., federal and state highway projects).

8B. Although many of the above problems and trends cannot be changed by the LPA, even with excellent support on the part of the city and of HUD, we have seen a number of creative and effective solutions developed by various LPAs throughout the nation to offset general problems in regard to specific projects.

Before enumerating examples of such creative and effective solutions, we believe it is of the utmost importance to emphasize that although national and local trends that are generally unalterable on a near-term basis may greatly complicate disposition, they can often be overcome in relation to specific projects if they are identified and dealt with skillfully. Generally speaking, such trends are not an excuse for

inactivity regarding the preparation and marketing of land. Nevertheless, in some cases, a proposed reuse will have to be changed if the LPA is trying unproductively to "buck the trend," or the LPA will have to await a change in the trend before resuming full-scale marketing efforts for the originally designated reuse.

Among tactics that have helped to offset negative local or national trends are the following:

- Applying pressure on the city by the LPA and downtown interests to substantially improve parking and circulation and to maintain excellent police and fire protection and clean-up service.
- Enlisting the aid of local news media to "accentuate the positive" regarding the central city and to practice restraint in reporting negative incidents.
- Bringing together local leaders and industrialists to obtain a broadbased commitment to reviving the central area. When business persons are united and are willing to make contributions to promotion, rehabilitation of facilities, and other positive activities, the chances of reviving the central area are greatly enhanced. Similarly, the central financial group in the city, if unified and earnestly desirous of revitalizing the downtown core, has in many cities been able to stem the tide against the central city.
- Using the time while trends are delaying disposition to complete public improvements to set the stage for later marketing.
- Recognizing when originally planned public improvements are not adequate to generate the hoped-for industrial development. The time may be ripe to plan new, more ambitious public improvements -- or reduce standards and goals markedly -- and focus on the objective of speedy implementation.

All of these approaches have proven effective in various cities RERC studied, and numerous other examples of effective tactics to offset disadvantageous conditions are mentioned in other parts of this report.

- Hold Land For Future Marketing

There are certain conditions under which the decision to hold land for future marketing presents itself as a necessary or preferable temporary course of action. Examples of such circumstances are as follows:

Necessary

- There is no logical market for certain industrial parcels except that of an adjacent but temporarily uninterested industrial user.
- The overall market for good inner-city industrial land is temporarily very soft.
- Extremely tight monetary conditions have rendered a fast rate of absorption highly improbable.
- City, state, or federal street or highway improvements that are integral to the project area's functioning have been postponed or considerably altered, and the LPA cannot control their timely implementation.
- Serious crime within or near the area has temporarily stigmatized the project. (This often causes heightened perception of danger, which has the same effect as real danger.)
- Major alterations in the urban renewal plan are underway, and ultimate decisions will affect the parcel(s).

Preferable

- A desirable potential user needs several months to finalize future plans and arrive at a decision to locate or expand in the project area (but has given evidence that he or she is not simply stalling).
- A major public institution has dire need for temporary use of certain parcels.
- A number of existing and proposed businesses and institutions need surface parking until garages are built.

- The desirable future development of certain parcels will have to be determined when the precise nature of development on other parcels has been established.
 - Strong efforts are still being made to attract a single developer for a number of parcels.
 - The city's systematic plan calls for temporarily diverting a certain type of development to another urban renewal area in order to achieve maximum impact.
9. When the temporary tactic of holding land for future marketing is necessary or preferable, there are a number of tests that should be applied regarding the use or non-use of the land during the interim period. The eventual disposition of urban renewal land is basically an economic activity, and the economic return of cleared land while its disposition is unavoidably delayed should be a prime consideration. When parcels are clearly doomed to remain vacant for several years' time, an interim use may be advisable. Whenever possible, such a use should yield net income or at least offset maintenance and carrying costs. When an income-producing use is impossible or potentially detrimental to future sale or to the existing environment, the land should be left vacant (but maintained) or should be temporarily devoted to a use that will serve the public interest and enhance the marketability of other disposition parcels in the project area.

An interim use is not feasible as far as the LPA is concerned if it involves:

- Clearly unretrievable monetary expenditures without the probability of enhancing marketability in other portions of the project area.
- A strong chance that the interim use will not be able to be terminated when re-marketing is advisable (for example, if neighboring business objects strongly to the sale of an interim storage area).
- The time is ripe, or soon will be, for the sale of the given parcel(s), and the interim use will jeopardize marketing.

The following tests should be applied when considering interim use:

- 9A. If a suitable interim use will produce net income to the LPA, it is ordinarily the most desirable use. In industrial areas, possible interim uses include surface parking and storage areas for nearby firms.
- 9B. When suitable net-income producing uses cannot be found, it may prove advisable to temporarily allow free or low-cost use of the land to support existing uses. In the case of industrial land, for example, one or more firms adjacent to the vacant land might be in need of temporary storage space and the gesture of the LPA to allow such use may result in important benefits for the project area.

We have seen industrial renewal projects in which the exterior renovation and landscaping of existing industrial operations have proven nearly impossible to obtain, though such rehabilitation was important to the image of the project area. The combination of an LPA's persistent efforts to bring about a willingness to renovate on the part of the owners, along with such gestures of good will by the LPA as allowing interim use of space for storage, may be a tool to bring about better cooperation. The temporary nature of such uses must be made clear from the outset, however, and the LPA must not be susceptible to threats by the firm(s) when the time comes to terminate the use.

- 9C. If certain parcels can be devoted to an interim use that will serve the public interest without jeopardizing their sale when the time is right, such use may be preferable to protracted vacancy. In such a case, minimal-cost leasing or use in exchange for the service of maintenance are in order. Examples that we encountered in the course of this study include the temporary use of cleared land for tot lots or playgrounds, and the provision of parking for university students and employees.

Such interim use may produce greater support of the urban renewal program by neighborhood groups, organizations, or the city as a whole; increased marketability of nearby sites; and the basic benefit of serving the public interest in a meaningful way.

- 10. The term "land banking" refers to the voluntary setting aside of vacant improved land with plans to

market it at a future date. This may be a desirable approach regarding certain parcels or tracts for the following reasons:

- 10A. A developer or developers may submit an integral plan to redevelop several acres in a desirable fashion, but they may not be ready to enter into a contract to purchase the entire acreage until certain portions have been developed. Although our studies have shown that such comprehensive development schemes often fail to materialize, it is sometimes wise to landbank unsold and uncommitted portions of the planned area while the developer is allowed to proceed with the initial phases of his proposal. Situations of this type require month-to-month vigilance on the part of the LPA to avoid wasting years of potential marketing time regarding the landbanked parcels. The greater the probability of eventual realization of the entire development, the more time that can be risked for the land in question.
- 10B. Careful analysis regarding some parcels may reveal that a waiting period is expedient by reason of the likelihood that the marketability for favorable re-use of the site will increase considerably in the foreseeable future. We have used the words "careful analysis" and "likelihood" in order to differentiate such judgments from the use of soft market conditions as an excuse to wait passively for a buyer to walk in the door.

A good example of carefully calculated landbanking was evident in one of the cities RERC studied. Two urban renewal projects were directly competing for the same types of reuse on comparable sites. Rather than allow a haphazard dissipation of potentially catalytic redevelopment, the city made a clear choice to direct marketing efforts and supporting facilities to one of the projects, while holding some land in the other project for intensive redevelopment when the market caught up with the available inventory of land.

- 10C. A site may be earmarked for a very desirable and highly probable development, which for various reasons cannot occur for a period of some months or years. For example, we have seen a well-planned civic center area that depended for its completion upon decisions of four different governmental entities to build office structures within the area.

There was strong reason to believe that, if the land could be kept open for such use, the necessary decision would eventually be made. The deteriorated condition of many structures within the area mitigated against delaying demolition until the governmental entities were ready to build.

11. The last resort in attempting to market urban renewal land is to end up giving it away. This alternative may have to be considered for a few parcels. When the parcel in question is relatively insignificant in value, when there is virtually no hope of selling the land in the foreseeable future for any suitable use or at any price, and when a person or organization can be identified who would maintain the land in good condition and use it in an acceptable manner, donating the land may prove to be the most economical course of action. Cases of such donation were extremely rare in the cities we studied, but occasionally such action may be appropriate.

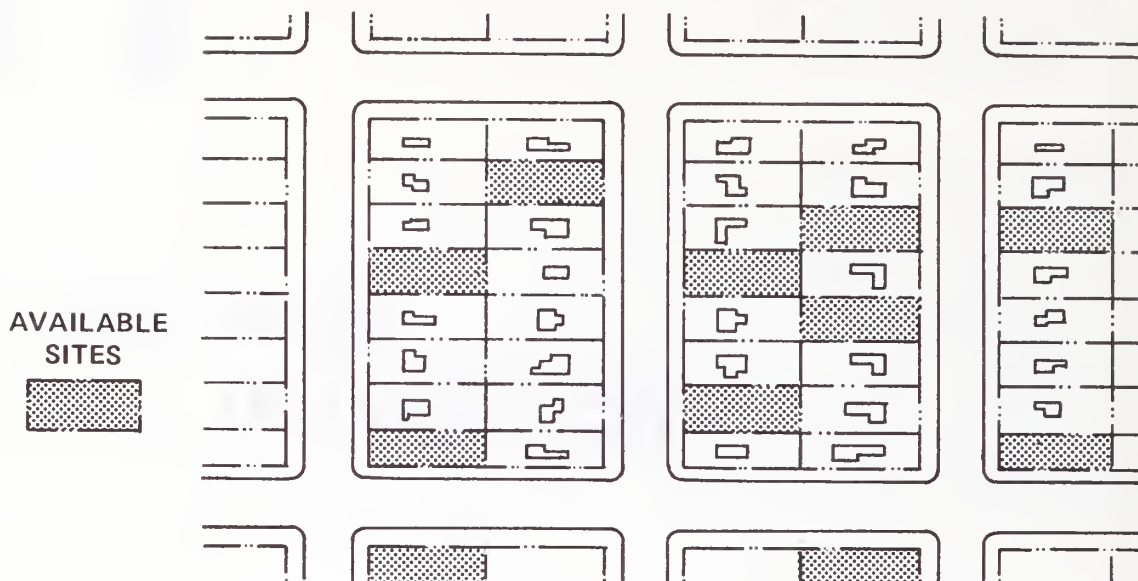
SCATTERED RESIDENTIAL LOTS

A. Statement of the Problem

Many LPAs have sizeable unsold inventories of residential lots at scattered locations throughout urban renewal projects. For the most part, the lots are small and are in the midst of established residential neighborhoods. This problem is most common in NDP areas where LPAs have performed either spot blight removal or hardship acquisition (buying properties from owners who are unable to pay taxes or to undertake enough maintenance to make units habitable). However, the problem also occurs in portions of conventional residential projects that are designated primarily for rehabilitation. Essentially, the scattered residential lot problem arises more from inadvertant acquisition than from purposeful purchase of isolated sites. In some cases, though, such sites may be the remainders of new subdivisions that have been disposed of for the most part.

We have focused here upon residential lots that are intended for single-family home development and thus are generally too small for multifamily construction. However, the disposition alternatives and actions discussed in this chapter would also apply to scattered sites designated for development with two- to four-unit residential buildings.

TYPICAL PATTERN OF SCATTERED RESIDENTIAL LOTS



B. Basic Strategy Alternatives

There are three basic alternative ways of trying to deal with the problem of scattered residential lots. These may be summarized as follows:

- Try to Sell Lots Without Changing Their Nature -- This involves pursuing a more intensive and more thoughtful marketing program than has been carried out thus far. The goal is to try to dispose of the scattered lots without enlarging them or changing their zoning.
- Change Characteristics of Lots to Improve Marketability -- Under this alternative, consideration would be given to aggregating small lots (which might involve further acquisition), changing parcelization patterns, and adjusting reuse, density, and price requirements.
- Do Not Sell Lots -- This alternative of "last resort" involves consideration of interim uses, leasing of lots for temporary use, donating the sites to eliminate maintenance costs, and land banking the lots in anticipation of improvement in market conditions.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 13 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of scattered residential lots read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Scattered Residential Lots." Each test is discussed below, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as sub-headings to clarify the context of the discussion of the tests.

PROBLEM: SCATTERED RESIDENTIAL LOTS

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
Try to Sell Lots Without Changing Their Nature	<p>1. Have the following actions been taken to put the lots in good and marketable condition:</p> <p>1A. Is all trash regularly removed?</p> <p>1B. Have all structures scheduled for removal been demolished?</p> <p>1C. Are sidewalks, curbs, and on-site utilities in good condition?</p> <p>1D. Is regular surface maintenance of sites provided?</p> <p>2. Have neighborhood public improvements been made (e.g., street widening and paving, curbs, gutters, street lighting, storm and sanitary sewers)?</p> <p>3. Has maximum effort been made to provide good public services to the area (public transportation, street repair and cleaning, trash removal, public safety, street lighting)?</p> <p>4. Has each of the following marketing approaches been tried (see text for more complete descriptions):</p> <p>4A. Selling blocks of lots to single builders for private market construction?</p> <p>4B. Selling blocks of lots to single builders for subsidized construction (under federal, state or local programs)?</p> <p>4C. Selling individual lots or small groups of lots to builders for speculative housing?</p> <p>4D. Selling lots to individuals for home construction?</p> <p>4E. Selling to adjacent property owners?</p> <p>4F. Using small parcels for relocated housing units?</p> <p>4G. Staging marketing of parcels when the neighborhood is extremely large?</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p>	<p>Apply Test 1B. Arrange for regular trash removal.</p> <p>Apply Test 1C. Contract for demolition.</p> <p>Apply Test 1D. Contract for repairs.</p> <p>Apply other tests in this set. Arrange for grass cutting, etc.</p> <p>Apply other tests in this set. Make improvements. Consider staged program of physical improvements when neighborhood is extremely large.</p> <p>Apply other tests in this set. Perform as many such services as possible.</p> <p>Apply Test 4B. Consider this approach.</p> <p>Apply Test 4C Consider this approach.</p> <p>Apply Test 4D. Consider this approach. Particularly investigate the potential for involving minority/local contractors.</p> <p>Apply Test 4E. Consider this approach. Agency may provide assistance in securing approval for plans, obtaining financing, letting bids for contractors, etc.</p> <p>Apply Test 4F. Contact all adjacent property owners to determine interest.</p> <p>Apply Test 4G. Survey housing stock to be acquired to identify relocatable units.</p> <p>Apply other tests in this set. Consider using tactics in Tests 4A, 4B, and 4C in areas of lowest priority and focusing on tactics in Tests 4D, 4E, and 4F in areas of highest priority.</p>

PROBLEM: SCATTERED RESIDENTIAL LOTS

basic alternatives	tests	findings	specific actions
	5. Is land overpriced?	Yes No	See Chapter 5 ("Overpriced Land") Apply other tests in this set.
	6. Are provisions of the urban renewal/zoning plan restricting reuse marketability?	Yes No	Consider reinterpreting or changing the plan or amending zoning ordinance. Apply other tests in this set.
	7. Are rehabilitation efforts being focused on the neighborhood?	Yes No	Apply tests in next set. Consider emphasizing rehabilitation of surrounding properties to enhance marketability of vacant parcels.
Change Characteristics of Lots to Improve Marketability	8. Is there a market for larger parcels?	Yes No	Aggregate smaller parcels where possible. Acquire adjacent parcels or "package" with adjacent land for combined public/private disposition. Consider change in use, density and price to reflect new size of parcel. Apply other tests in this set.
	9. Is access to sites adequate?	Yes No	Apply tests in next set. Review parcelization to increase frontage. Evaluate cost of securing access easements, or planning and constructing adequate streets/driveways to provide access.
Do Not Sell Lots	10. Are there interim uses that would be supportive to uses in residential neighborhoods (e.g., playgrounds, tot lots, pocket parks, "victory gardens")?	Yes No	Consider such uses. Apply other tests in this set.
	11. Could sites be leased for minimum annual payment for interim uses that would serve the public interest better than continued vacancy (e.g., for uses associated with churches, clubs, neighborhood facilities)?	Yes No	Consider such uses. Apply other tests in this set.
	12. Is holding land in land bank desirable because future market conditions might improve and enhance attractiveness of parcels?	Yes No	Hold in land bank and maintain sites. Review annually. Apply other tests in this set.
	13. Could sites be donated to someone who would maintain them in good condition or use them in an acceptable manner?	Yes No	Consider donation, especially if maintenance and administrative costs are high. Place in long-term land bank and maintain in good condition.

Prepared by Real Estate Research Corporation and RTKL, Inc.

● Try to Sell Lots Without Changing Their Nature

1. It is extremely important that sites being marketed by an urban renewal agency be kept in good condition. Specifically:
 - Trash should be removed regularly.
 - Buildings that are intended to be removed should be demolished.
 - Sidewalks, curbs, and on-site utilities should be in good condition.
 - Sites should be graded and planted with grass, spread with wood chips, or otherwise surfaced and kept in neat and orderly condition.
 - Regular maintenance should be provided to keep weeds under control. This benefits the surrounding neighborhood and also enhances the marketability of the specific disposition sites.
2. If aggressive efforts are being made to market specific residential lots, any planned neighborhood public improvements should already have been completed. This includes installation or replacement of storm and sanitary sewers, street widening and paving, installation of curbs and gutters, and provision of street lighting. Evidence of public commitment to a residential area increases the confidence of both potential investors and remaining residents. If new curbs and sidewalks are put in before sites are sold, they may be damaged during subsequent construction on vacant residential lots. Even so, the increase in marketability of sites after improvements are made generally outweighs the relatively minor cost of repairs to curbs, gutters, etc. after construction.

In many cities, unsold residential lots are scattered through NDP areas that are so large that all planned public improvements cannot feasibly be made simultaneously. In such cases, consideration should be given to staging both public improvement construction and intensive marketing of lots. By focusing the LPA's marketing efforts primarily upon the areas where improvements have been made, concerted attempts can be made to dispose of the parcels with the most amenities and the greatest created value.

3. In addition to street and utility improvements, the quality and quantity of public services available to a neighborhood are critical in generating new residential development. Such services include public transportation, police and fire protection, trash removal, street repair and cleaning, street lighting, and community facilities like schools, health centers, libraries, recreation centers, and day care centers. The more such services and facilities that are available at the time sites are marketed, the better the prospects for sales.

Provision of many public services and creation of public facilities are often beyond the direct control of LPAs. However, pressure can often be applied upon other local government agencies to improve services to an area and to coordinate capital improvements expenditures with urban renewal planning. It is also possible for the LPA to work with local residents to create self-help programs to improve neighborhood services.

- 4A. The ideal method of disposing of scattered residential lots is to sell a package of lots to a single builder for private market construction. In relatively stable, moderate- and middle-income areas, private market construction is feasible, especially when sites are cleared and improved and if pricing is competitive with or below that in other residential neighborhoods in the metropolitan area. To encourage this type of development, an LPA can obtain a commitment from a local financial institution to provide mortgages for completed residences and then can use that "package" to solicit developers. It is also possible that new units could be used as a relocation resource and the LPA could identify potential homebuyers in advance of construction. This was done, for example, in a predominantly Latino neighborhood of St. Paul.

Potential developers of a large number of lots should be evaluated carefully by the LPA before land is deeded. Even when there are not competitive developers interested in the parcels, the Agency should take a hard look at the ability of a designated developer to perform. The factors that should be analyzed (e.g., the developer's financial position, performance record, market understanding, etc.) are discussed in detail in Chapter 20, "Selection Process for Multiple Development Proposals."

- 4B. Blocks of residential lots can also be sold to single developers for scattered site construction of

subsidized units (e.g., leased public housing or other federal, state, or local subsidy programs). New subsidized construction is feasible in neighborhoods with lower overall income levels than are needed for private market housing. In Waco, Texas, the LPA and the Model Cities agency obtained Section 235 reservations in their own names and then transferred the reservations to local builders who were thus able to avoid initial red tape. This type of assistance to potential developers should be considered whenever possible.

This marketing approach was severely curtailed by the January 1973 moratorium on federal housing subsidy programs, but many state and local governments are instituting or expanding programs that offer partial housing subsidies as does the new Section 8 of the Housing Act of 1974. All possible avenues should be pursued to encourage subsidized construction on scattered lots. In addition to exploring all conceivable funding sources, LPAs should encourage local governments to modify building standards to decrease construction costs. Also, the LPA should examine its pricing of residential lots to be sure that the prices are low enough to enable developers to build subsidized units. As in Test 4A above, it is possible that new units could be used as a relocation resource within the urban renewal program or for other local construction programs involving residential displacement. Persons eligible for payments under the Uniform Relocation Act could be identified as potential homebuyers in advance of construction; commitments could be made to developers; and the buyers could participate in the planning of their new homes.

- 4C. If there is a market in the urban renewal area for new, lower priced homes, the Agency should consider providing assistance to small local contractors so that they can construct speculative units on scattered lots. The types of assistance that an LPA can provide include: working with the builder to obtain building permit approval, contacting local financial institutions to obtain short-term financing, encouraging local lenders to make mortgage commitments for the new homes, urging local government agencies to provide utility hook-ups and to complete building inspections, and locating possible buyers for the units.
- 4D. The LPA could also prepare "homebuilding kits" to encourage local residents to construct homes on renewal lots. Such kits could include physical plans for low-cost homes, information on prefabricated components,

guidelines for negotiating with subcontractors, requirements for local permits and inspections, and information on short- and long-term financing. If this marketing approach is followed, LPA staff members should be prepared to provide local residents with the same kinds of direct assistance cited under Test 4C above.

- 4E. An obvious market for narrow residential lots is adjacent property owners who may want to expand their property with a side yard that could accommodate a garage or even a rental housing unit. All owners of property abutting available residential lots should be contacted to determine their interest in adjacent sites and the prices they would be willing to pay. When evaluating price offers lower than the assigned reuse value, the LPA should take into account the long-term maintenance costs of the sites and the fact that they are off the local tax rolls while being held by the Agency. If market conditions are not promising, it may be worthwhile to dispose of the scattered lots at low prices to adjacent property owners who will then maintain them.
- 4F. In several cities, small residential lots have successfully been used as sites for standard housing units that were moved from highway or urban renewal clearance areas. This possible use of scattered lots should be considered.
- 4G. As mentioned under Test 2 above, many renewal areas -- especially NDPs -- are so large that public improvements cannot be installed simultaneously throughout the project. Since marketing efforts are weakened when planned physical improvements have not yet been made in an area, the LPA might consider staging its marketing in accordance with installation of public improvements and facilities. In unimproved areas, for example, general efforts could be made to market sites with the tactics described in Tests 4A, 4B, and 4C. If those tactics have proven unsuccessful in the improved areas of high priority, more concentrated marketing could focus on the tactics described in Tests 4D, 4E, and 4F.
- 5. Persons attempting to market a number of scattered residential lots can quickly identify overpriced land. It is important to be familiar enough with the economics of home construction to know how land price affects the final cost of a new home. In suburban areas, the lot price generally accounts for 20 to 25 percent of the

final price of a new home. However, this percentage may have to be reduced considerably to attract builders to individual inner-city sites where construction costs are higher, the market is less certain, assembly-line construction methods cannot be used, and property taxes on new units may be higher. (See Chapter 5, which deals with the problem of overpriced land.)

6. Because of their commitment to upgrading residential neighborhoods, LPAs often place high standards on new construction undertaken within an urban renewal project. In areas where the reuse market is not strong, such standards may be unrealistically high and may limit the marketability of sites. Thus, periodically during the marketing period, it is a good idea to take a hard look at setback requirements, designated floor area ratios, specifications for materials, etc.

In addition to possibly stringent restrictions in the urban renewal plan, there may be local zoning ordinance conditions that are restricting marketing. Many cities have found, for example, that single-family construction is no longer allowed on 25- or 30-foot lots. This means that any construction requires aggregation of lots and that individual parcels can only be marketed to adjacent owners or be used for pocket parks. This may be an unrealistically restrictive zoning requirement that should not be applied in established, built-up areas with standard units that have satisfactorily housed families for many years. In situations like this, the LPA should push for zoning ordinance amendments or variances.

7. As with public improvements and facilities (discussed under Tests 2 and 3 above), a key factor in enhancing the marketability of sites in an urban renewal project is accomplishment of needed rehabilitation. If neighboring properties have been rehabilitated, the evidence of investment commitment to the area will serve to increase the confidence of potential lot buyers. Thus, it is important to stage rehabilitation efforts simultaneously with construction of public improvements and facilities and with intensive marketing of disposition parcels. LPAs should also investigate the possibility of selling adjacent vacant lots to resident homeowners interested in rehabilitation because it is possible that construction costs for outbuildings on the adjacent lots could be financed under the general rehabilitation loan.

One problem that many LPAs have encountered in coordinating rehabilitation and new construction is that the former is aimed toward low-income households and the latter toward moderate- or middle-income ones. Usually, this sort of income mixing severely limits the market for new construction. It is more expeditious, therefore, to focus on one general income group for both rehabilitation and new construction. Two problems arise if the focus is on low-income households: (a) The area will tend to be impacted with concentrations of poor families and therefore will face long-term social and economic difficulties, and (b) subsidies will be needed for both rehabilitation and new construction. Where the possibility for attracting moderate- and middle-income households exists, it is generally wiser to aim all marketing efforts toward that group, even if absorption rates are lower and disposition of the land takes longer.

- Change Characteristics of Lots to Improve Marketability

8. If marketing efforts have been unsuccessful when the original size and shape of the scattered residential lots have been maintained, the LPA should evaluate the possibilities for marketing larger parcels. If the marketing prospects appear to be promising for larger lots, efforts should be made to increase the size of the lots in the unsold inventory. Wherever possible, adjoining vacant lots should be merged to form a larger single parcel. In some cases, it might prove feasible to acquire adjacent parcels to enlarge lots that are presently vacant. This should be seriously considered if buildings on an adjacent lot are in need of extensive rehabilitation that is not being undertaken or if the two parcels together could be marketed for a higher-density use. The latter circumstance could lead to a higher price being obtained for the newly created larger parcel.

Adjacent parcels should be reviewed to discover any that might be listed for sale on the private market. (The LPA should be on the lookout for private "for sale" signs and should also contact local real estate brokers to check their listings.) When a property adjacent to a vacant lot is found to be on the market, the LPA could attempt to market its vacant lot in conjunction with the private market sale to a buyer who would combine the parcels. This would eliminate the necessity of the LPA acquiring the adjacent property.

9. The LPA should review the access characteristics of the scattered residential lots in the unsold inventory. The types of access problems that may exist are illustrated in the diagram below. If access is inadequate, the cost of improving it should be evaluated. It is possible that the cost of increasing street frontage, changing street patterns, or acquiring access easements would exceed the recoverable value of the improved parcel. In that case, access should not be changed and Tests 10, 11, and 13 should be applied.

TYPICAL ACCESS PROBLEMS OF SCATTERED RESIDENTIAL LOTS



● Do Not Sell Lots

10. If vacant residential lots are perceived as a blighting influence in the neighborhood or if there is a need for play areas, tot lots, or pocket parks, such interim uses should be considered for unsold scattered residential lots. Three things should be borne in mind, however, about such interim uses. First, the maintenance costs are likely to be considerably higher than for unused vacant lots and those costs will have to be borne by the Agency. (Attempts to encourage maintenance by local residents generally fail over time as interest wanes and original supporters move away.) Second, residents will tend to view the play areas, parks, or garden areas as permanent rather than temporary uses and may raise objections if the lots are subsequently sold for construction of dwelling units. Third, adjacent owners may object to interim uses that draw a lot of children or are not physically attractive. If long-term market prospects are not particularly promising, it might be better to donate the lots to the city under Test 13 rather than introduce interim uses.
11. It is possible that some scattered residential lots could be used by nonprofit organizations on an interim basis for recreation purposes. In exchange for maintenance, the lots could be leased to churches, clubs, day care centers, schools, etc. for a token payment of, say, \$1.00 per year. Some of the objections to interim uses cited under Test 10 above may also apply to this option.
12. If all marketing approaches have been exhausted without success but there is a likelihood that market conditions will change within five years, consideration should be given to land banking the scattered residential lots for future disposition. A careful cost analysis should be performed to be sure that ultimate disposition proceeds would cover interim administrative, interest, and maintenance costs. If the benefits are likely to exceed the pre-disposition costs, the lots should be landbanked and then be reviewed on a semi-annual or at least annual basis. Even when marketing is in abeyance, the sites should be well maintained to enhance the viability of the surrounding neighborhood. To cover maintenance and other interim costs, the potentials of Tests 10 and 11 should be re-examined.
13. A final disposition tactic is to donate lots to adjoining owners, the city, or community organizations. This tactic should only be followed if market conditions are not expected to improve within five years or if

interim maintenance, administrative, and interest costs will far exceed the expected final disposition price of individual residential lots.

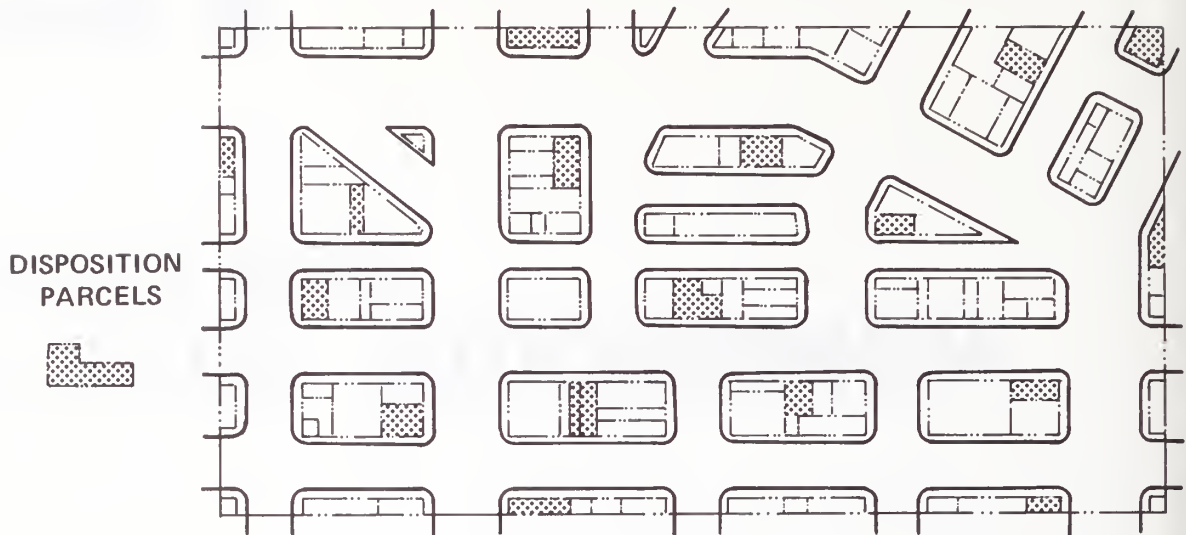
SCATTERED NONRESIDENTIAL PARCELS

A. Statement of the Problem

Some LPAs have large numbers of scattered nonresidential parcels in their unsold inventories, particularly in central business district-oriented and industrial projects. (For the problem of scattered residential lots, see Chapter 11). This problem often evolves from an acquisition policy of spot clearance of blighted buildings, which subsequently results in scattered site disposition. The problem also occurs in projects that were originally planned for total clearance but were later changed to focus on rehabilitation with partial clearance. In many large projects where disposition has been underway for several years, the remaining unsold parcels are small and located throughout the project area; often these are simply the least attractive "leftovers" of a successful marketing program.

Generally, we have focused in this chapter upon parcels that would only accommodate small-scale commercial or industrial development. Larger parcels are usually marketed individually and do not pose the same problems as small, scattered lots. One marketing tactic that we suggest later in this chapter, however, is "packaging" small parcels with larger ones to encourage developers to take a less attractive site for ancillary uses connected with a major project, or to perform secondary development in exchange for the opportunity to develop a site.

TYPICAL PATTERN OF SCATTERED NONRESIDENTIAL LOTS



B. Basic Strategy Alternatives

There are three basic alternative ways of trying to deal with the problem of scattered nonresidential parcels. These may be summarized as follows:

- Try to Sell Parcels Without Changing Their Nature -- This involves pursuing a more intensive and more thoughtful marketing program than has been carried out thus far. The goal is to try to dispose of the scattered parcels without enlarging them or changing their zoning.
- Change Size/Characteristics of Parcels to Improve Marketability -- Under this alternative, consideration would be given to aggregating small lots (which might involve further acquisition), changing parcelization patterns, and adjusting reuse, density, and price requirements.
- Do Not Sell Parcels -- This alternative of "last resort" involves consideration of interim uses, leasing of lots for temporary use, donating the sites to eliminate maintenance costs, and land banking the lots in anticipation of improvement in market conditions.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual

Agency's problem are set forth in the decision tree on the following page. Each of the 13 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of scattered nonresidential parcels read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Scattered Nonresidential Parcels." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the test includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as sub-headings to clarify the context of the discussion of the tests.

● Try to Sell Parcels Without Changing Their Nature

1. It is extremely important that the sites being marketed do not themselves negatively affect the viability of existing nonresidential uses. In one southern city, spot clearance of dilapidated structures planned for

PROBLEM: SCATTERED NONRESIDENTIAL PARCELS

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
Try to Sell Parcels Without Changing Their Nature	1. Have the following actions been taken to put the parcels in good condition: 1A. Is all trash regularly removed? 1B. Have all structures scheduled for removal been demolished? 1C. Are public improvements made to the sites (e.g., streets, curbs, utilities)? 1D. Is regular surface maintenance of sites provided?	Yes No Yes No Yes No	Apply Test 1B. Arrange for regular trash removal. Apply Test 1C. Contract for demolition unless there is a profitable interim use that can be terminated on a month-to-month basis. Apply Test 1D. Construct improvements.
	2. Are "for sale" signs posted on the sites?	Yes No	Apply other tests in this set. Construct "for sale" signs and maintain them in good condition.
	3. Have major public improvements been made adjacent to the sites (e.g., street widening and paving, curbs and gutters, street lighting, storm and sanitary sewers)?	Yes No	Apply other tests in this set. Make improvements. Consider staged program of public improvements when sites are scattered over extremely large area.
	4. Is land overpriced?	Yes No	See Chapter 5 ("Overpriced Land"). Apply other tests in this set.
	5. Are provisions of the urban renewal/zoning plan restricting reuse marketability?	Yes No	Consider reinterpreting or changing the plan or amending zoning ordinance. Apply other tests in this set.
	6. Has each of the following marketing approaches been tried (see text for more complete descriptions): 6A. Selling blocks of lots to single builders for private market construction? 6B. Selling individual lots to builders/firms for small-scale construction? 6C. Selling to adjacent property owners? 6D. Encouraging potential buyers to consider interim or secondary uses?	Yes No Yes No Yes No Yes No	Apply Test 6B. Consider this approach, especially for such uses as mini-warehouses, chain fast-food operations, small speculative offices, incubator industrial space, etc. Apply Test 6C. Consider this approach. The LPA could provide assistance in securing approval of plans, obtaining financing, letting bids for contractors, etc. Apply Test 6D. Check with all adjacent property owners to determine interest in parcels. Apply other tests in this set. Consider this approach, including plans for lesser uses than those originally intended and for mixed uses that might be acceptable in the neighborhood.

PROBLEM: SCATTERED NONRESIDENTIAL PARCELS

basic alternatives	tests	findings	specific actions
Change Size/ Characteristics of Parcels to Improve Marketability	7. Is there a market for larger parcels?	Yes	Aggregate smaller parcels where possible. Acquire adjacent parcels or "package" with adjacent land for combined public/private disposition. Consider change in use, density, and price to reflect new size of parcel. Apply other tests in this set.
	8. Is access to sites adequate?	No	Apply tests in next set. Review parcelization to increase frontage. Evaluate cost of securing access easements, or planning and constructing adequate streets/driveways to provide access.
Do Not Sell Parcels	9. Are there conditions that make immediate disposition inadvisable?	Yes No	Do not sell parcels. Apply other tests in this set.
	10. Are there interim uses that would be supportive to surrounding area (play areas, pocket parks, storage space, parking)?	Yes No	Consider such uses. Apply other tests in this set.
	11. Could sites be leased for minimum payment for interim uses that would serve the public interest better than continued vacancy (e.g., for uses associated with churches, clubs, neighborhood facilities)?	Yes No	Consider such uses. Apply other tests in this set.
	12. Is holding land in land bank desirable because future market conditions might improve and enhance attractiveness of parcels?	Yes No	Hold in land bank and maintain sites. Review annually. Apply other tests in this set.
	13. Could sites be donated to someone who would maintain them in good condition or use them in an acceptable manner?	Yes No	Consider donation, especially if maintenance and administrative costs are high. Place in long-term land bank and maintain in good condition.

Prepared by Real Estate Research Corporation and RTKL, Inc.

retail reuse disturbed the stability of the existing commercial uses, negatively affecting the viability of the entire central area. The accelerated deterioration of the area's image succeeded in blocking retail redevelopment, contributing to the overall decline of the central area. Hence, selection and management of sites to be cleared is of particular importance. Specifically:

- Trash should be removed regularly.
 - Buildings intended for removal should be demolished. (In some cases, bare adjacent walls may be painted with a graphic design or art theme to enhance the visual appeal of the vacant parcel and minimize the disruptive effects.)
 - Sidewalks, curbs, and on-site utilities should be in good condition.
 - Regular maintenance should be provided. Landscaping and grass cutting benefits the adjacent area and enhances the marketability. In some cases, the concept of the temporary park may be used to provide an attractive interim use while attempting to market the parcel.
2. The placement of signs on renewal parcels is required by law and may be one of a number of vehicles used to bring a property to the attention of potential developers. The graphic quality of the signs is important. The signs must be well-maintained for they directly identify the renewal agency. Signs of low graphic quality reflect poorly on the LPA. It is advisable to replace and rearrange signs periodically to give evidence of the proper care and handling of the sites. In one large eastern city, a large number of scattered parcels have stood vacant for years, and many are not currently marketable because of environmental restrictions. The old, discolored, and warped signs on the lots are a blighting influence on the neighborhood. The signs not only give visible evidence of neglect, but stigmatize other renewal parcels and detract from the quality of the neighborhood.

3. Efforts to market specific nonresidential parcels are enhanced if public improvements are completed. See Chapter 19 ("Timing of Project Improvement Construction") for a fuller discussion of this problem. The paving of streets, installation of new street lighting and street furniture, and completion of public improvements demonstrate a public commitment to the area that reinforces existing uses and increases the confidence of potential developers. Development of scattered parcels requires a general increase in the economic activity in an area, which is encouraged by improved access, parking availability, and improved levels of security. Failure to build proposed expressways or road systems has been a major cause impeding the disposition of many sites. Loss of residential population that frequently accompanies neighborhood decline has undermined the market for commercial reuse. Early completion of public improvements may help to arrest such declines.

Provision of many public services and creation of public facilities are often beyond the direct control of LPAs. However, pressure can often be applied on other government agencies to coordinate their programs and services with the urban renewal plan. It is also possible for the LPA to work closely with local business leaders to improve the quality of neighborhood services.

In many cities, nonresidential parcels are scattered throughout project areas so large that public improvements cannot feasibly be made simultaneously. In addition, attempting all public improvements simultaneously may bring all modes of transportation to a virtual halt. Staging of public improvements should, to the extent feasible from an engineering viewpoint, be timed in accordance with the marketing strategy. First, improvements should be made in the vicinity of the most attractive nodes of activity. By focusing marketing strategies primarily upon the areas where improvements have been made, concerted efforts to dispose of the parcels with the most amenities and the greatest potential value may be fruitful.

4. Persons attempting to market a number of scattered nonresidential parcels can quickly identify overpriced land. A fuller discussion of the problem of overpriced land is contained in Chapter 5. One of the most recurrent problems involves obsolete appraisals. In neighborhoods that have experienced population decline, the value of commercial sites has frequently declined but has not been considered in up-to-date appraisals. Other cases have been cited in which the appraisal did not adequately take poor subsoil conditions into account.

Test borings made prior to construction may reveal conditions which greatly increase the cost of construction for many project areas are low-lying areas that have poor subsoil conditions or are subject to erosion or flooding. In an eastern city, the attempt to relocate a flower market within the project was almost frustrated by poor subsoil conditions until additional site improvements were made by the renewal agency out of project funds. In other cases, the appraised value of the land is correct, but a desired developer to purchase the land at the appraised value may be impossible to find.

5. Existing provisions of the urban renewal plan or the zoning ordinance may seriously impede the marketing of a particular parcel. If market conditions have changed, there must be flexibility to alter the plan in order to meet existing or potential demand. In a midwestern city, rapid racial change and income decline eliminated the market for retail use. Earlier disposition of the parcels might have been obtained by encouraging non-retail development, but disposition officers have often been confined to an obsolete renewal plan. Altering the plan may require changes in zoning or other regulations. In center city areas where the market for retail uses has declined, residential development may be considered to increase downtown patronage and better support existing downtown facilities. Smaller sites planned for industrial use may be more readily sold as a combination of industrial-commercial uses.

Building and lot restrictions included in the urban renewal plan should not unduly penalize the developer in comparison with the restrictions that characterize sites of comparable value in the city and surrounding area. Excessively stringent lot-coverage restrictions and regulations on exterior appearance may be enough to discourage potential developers. It is important that the LPA have realistic goals based on an understanding of the profit motive of the types of uses considered desirable for the area.

- 6A. One way to dispose of scattered nonresidential sites is to sell several lots to a single developer. In particular, a developer may be sold one particularly desirable site at a favorable price only if he agrees to develop another, less desirable site. Where an owner has an existing facility contiguous to several vacant lots, he may be the only likely purchaser, and may be encouraged to put several sites together as part of an expansion. Or, where there is demand for office

space, several small office buildings may be constructed by one developer on a speculative basis. Similarly, incubator industrial space or mini-warehouses may be erected on several parcels by one developer. Sometimes, one local developer may, out of a sense of civic pride as well as a desire for profit be encouraged to develop a number of sites. Gaining the support of the local business and political leadership is required in order to develop such a commitment, particularly in a downtown area.

In most cities, there are local or state organizations whose major function is to stimulate economic growth in the area. Such groups may play a key role in the negotiations between the developer and the city for special incentives, tax abatements, development of roadways, or parking provisions. In one east coast city, such a commission played a major role in bringing two light industrial groups together to share jointly in the development of a parcel. The idea for the most efficient use of the land was developed by the city's economic development officer, working in conjunction with the LPA.

- 6B. The LPA may sell individual lots to individual firms for small scale construction. In particular, a parcel may be held for construction by a firm to be relocated out of an urban renewal project area. To encourage development, the LPA can obtain a commitment from a local financial institution to provide long term financing. The LPA can also provide assistance to a small firm by securing permits, gaining plan approval, and providing advice on contracting. Such help may be particularly useful to firms using their relocation payments for constructing a facility in the project area.
- 6C. In many cases, the only feasible redeveloper is an adjacent property owner, who may use the property either for business expansion or parking facilities. The LPA may wish to encourage the adjacent owner to expand in order to increase employment in the area or to maximize the use of the land. LPAs frequently hold on to land rather than sell it for a nonintensive use, such as a mini-warehouse or parking lot. However, neighboring firms may attempt to obtain indefinite use of the parcel for parking while not committing themselves to developing it, and adjacent owners may be disinterested in the parcel until someone submits a plan for its use. If market conditions are not promising, it may be worthwhile to dispose of the scattered lots at low prices to adjacent owners who will maintain them.

- 6D. The LPA may encourage the designated developer or potential buyers to consider an interim use until they are ready to undertake development. In some cases, developers have made limited use of a parcel, providing a parking facility, while contemplating eventual development. Problems can arise if the developer delays new construction because of the profitability of the interim use. An interim use that is profitable may make the site more desirable to a potential developer when his development plans call for construction at a specific time in the future, or his detailed plans and specifications are not completed.

● Change Size/Characteristics of Parcels to Improve Marketability

7. Many examples were found of marketing efforts that were unsuccessful because the scattered lots were too small and irregular. The LPA must therefore consider the possibility of consolidating lots into larger parcels. If the marketing prospects appear to be promising for larger lots, efforts should be made to increase the size of lots in the unsold inventory. Where possible, adjoining vacant lots should be merged to form a larger single parcel. It may prove feasible to acquire adjacent parcels to enlarge lots that are presently vacant. This should be seriously considered if buildings on adjacent lots are in need of extensive rehabilitation that is not being undertaken or if the two parcels together could be marketed for a more intensive use. A higher price per square foot may be obtained for the newly created larger parcel, or a development more in keeping with the objectives of the urban renewal plan may be obtained. In one city, a vacated street was combined with a small adjacent parcel into a large parcel for development by a local bank. In a southern city, the spot clearance of dilapidated structures planned for redevelopment by small retail developers led to small, unmarketable lots because of the decline of CBD retail activity.
8. The LPA should review the access characteristics of the scattered lots in the unsold inventory. If access is inadequate, the cost of improvements should be evaluated. It is possible that the cost of increasing street frontage, changing street patterns, or acquiring access easements would exceed the recoverable value of the improved parcel. In that case, access should not be changed and tests 6C, 9, 10, and 12 should be applied. Inadequate access frequently occurs in parcels within rundown commercial areas. Obsolete storage areas in the interior of blocks, formed by demolition of deteriorated structures and accessible by narrow

alleys only, restrict potential development. The cleared parcel should be joined to a contiguous parcel or sold to an adjacent owner.

- Do Not Sell Parcels

9. There are certain conditions that lead to a logical decision not to dispose of a lot at the present time, even when there is a potential developer for that lot. These conditions may be summarized as follows:

- If the only interested developer seeks an undesirable use, such as a tavern, or polluting industry;
- If the overall market for land is temporarily very soft, but the prospects for marketing the parcel appear good in the near future;
- If extremely tight monetary conditions have rendered a present development untimely;
- If planned transportation improvements have been delayed, or the plans for such facilities are currently undergoing change, and disposition must await finalization of transportation decisions;
- If major alterations to the renewal plan are underway, which may greatly affect the marketing of the parcel;
- If planned clearance of adjacent structures allows for a future development of a more unified concept;
- If a desirable potential purchaser needs additional time to arrive at a decision to locate in the area, or time to complete plans;
- If there is a great need for a temporary use of a particular parcel by a public institution. For example, a courthouse may need temporary parking until a garage is constructed;
- If strong efforts are still being made to attract a single developer for a number of parcels, even when there is a developer interested in any one parcel;
- If the LPA feels that marketing of parcels in one area will divert development from another renewal area whose development has priority.

10. Parcels that are left vacant and unused may be perceived as a blighting influence, whereas interim uses, such as recreational areas, parking, or storage, may add to the overall economic activity or attractiveness of an area. Frequently, the interim use of a parcel may result in considerably higher maintenance and administrative costs for the LPA. The LPA should explore the possibility of transferring maintenance responsibilities to local civic or neighborhood groups. In return, the groups can be allowed to use the land for a worthwhile purpose. Such an interim use may not be feasible if there is a strong chance that this use will not be easily terminated when remarketing is advisable (for example, a neighborhood objects publicly to the sale of an interim pocket park).
11. In order to reduce maintenance charges, lots could be used by nonprofit organizations on an interim basis. For example, a parcel designated for a neighborhood service center could be used by a school or church for parking until funding of the facility was obtained. In exchange for maintenance, the lots could be leased to the nonprofit organization for a token payment of, say, \$1.00 per year. Alternately, consideration should be given to leasing land -- on a short term basis -- to private owners.

It may prove advisable to temporarily allow free use of the land to support existing uses. In the case of industrial or commercial land, one or more firms adjacent to the vacant parcel might be in need of temporary storage space; the gesture of the LPA to allow such use may result in important benefits for the project area or serve to increase overall economic activity, thus making disposition of other parcels more likely. The temporary nature of such use must be made clear from the outset, and the LPA must not be susceptible to threats by the firm(s) when the time comes to terminate the use.

12. The term "land banking" refers to the voluntary setting aside of vacant land with plans to market it at a future date. If all marketing approaches have been exhausted without success but studies indicate that future market conditions will be stronger, the scattered lots should be land banked and their status reviewed on a yearly basis. Even when marketing is in abeyance, the sites should be well-maintained in order to uphold the viability of the surrounding neighborhood. To cover maintenance and other interim costs, tests 9 and 10 should be reapplied.

INNOVATIVE INTERIM USES



Community Vegetable Garden



Pocket Park

A good example of this type of carefully calculated landbanking was evident in one of the cities studied. Two urban renewal projects were directly competing for the same reuse market on comparable sites. Rather than allow haphazard disposition, the city made a clear choice to direct marketing efforts and supporting facilities toward one of the projects, while holding the land in the other project for redevelopment until the market caught up with the available inventory of land.

13. A final disposition alternative is to donate parcels to the city, adjoining owners, or community organizations. This alternative should be considered for only the most undesirable parcels. When the parcel in question is relatively insignificant in value; when there is virtually no hope of selling the land in the foreseeable future for any suitable use or at any price; and when a person or organization can be identified who would maintain the land in good condition and use it in an acceptable manner, donating the land may prove the most economical course of action. Cases of such donation for nonresidential use are extremely rare in the cities studied, but such action may be appropriate, particularly if interim administrative, interest, and maintenance costs will far exceed the expected final disposition price.

13

INFLEXIBILITY OF PROJECT PLAN

A. Statement of the Problem

Urban renewal plans range from general statements of community intent to detailed specifications of redevelopment. Regardless of the level of specificity of the plan, developers frequently complain that the requirements are too rigid, and in many instances their dissatisfaction is well founded.

A parcel with a certain use called for in the plan may not be attracting any developer interest -- even from those developers already working on adjacent parcels with similar, or complementary, uses. For example, most LPAs have experienced difficulties in disposing of parcels designated for neighborhood convenience retail. If the plan had shown the parcel as residential and/or commercial, it may have been disposed of as part of a parcel being developed with housing. Some plans, particularly those for central business districts, add requirements to the redevelopment parcels beyond the normal elements -- such as for underground parking, large amounts of retail space, provision of or accommodation for elevated walkways and extensive plaza and landscape areas -- which may encumber disposition.

Practically all of the elements of an urban renewal plan -- land use (type and amount), street layout, utility easements, structures not acquired, building restrictions (such as set backs, site access and site coverage) -- can contribute to

slow disposition. Enforcement of the urban renewal plan's provisions sometimes involves a design review board that advises the LPA on the quality of the site plan and design of the buildings. Such a board, if its reviews are exhaustive and its judgments heavily relied upon by the LPA, may discourage some developers in areas where the market strength or other factors make the project's success marginal. Successful development in some urban renewal projects may hinge on the provision of needed public facilities. For example, residential neighborhood development may flounder if planned new schools, parks, libraries, etc. are not provided, and if the urban renewal plan is not adjusted to take this lack of facilities into consideration.

The elements called out in urban renewal plans reflect the desires and interests of the PACs, City Councils, and LPAs. Many hours have been spent in arriving at supportable plans. Changes in the plans from what was originally worked out, particularly of a fundamental nature, may be controversial and difficult to achieve. If the changes cannot be accomplished, the LPA may be faced with the prospect of undisposable land resulting from a plan that is not flexible enough to respond to developer needs or market forces.

B. Basic Strategy Alternatives

Three ways are available to address the problem of an inflexible urban renewal project plan. In summary, they are as follows:

- Reduce the Specificity of the Plan - This assesses the possibility of changing the plan to respond to market conditions and/or developer needs. It also reviews the extent of the controls set forth by the plan and determines whether broader interpretations can be made.
- Retain the Plan and Increase Developer Incentives - Under this alternative, consideration is given to shifting responsibilities assigned to the developer to public agencies and adding public amenities to enhance the attractiveness of the parcel.
- Retain the Plan and Reorient Marketing - An examination of the marketing program is called for in this alternative.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 12 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

PROBLEM: INFLEXIBILITY OF PROJECT PLAN

basic alternatives	tests	findings	specific actions
Reduce Specificity of Plan	1. Have exhaustive efforts been made to dispose of parcels under the present plan?	Yes No	Apply other tests in this set. See Chapters 3 and 24 (on advertising and on general marketing).
	2. Would introduction of major proposed changes to the urban renewal plan create unacceptable controversy or delay (with PAC, City Council, HUD)?	Yes No	Apply Tests 8 through 12. Apply other tests in this set.
	3. Have project improvements or already built structures effectively frozen the plan?	Yes No	Apply Tests 8 through 12. Apply other tests in this set.
	4. Is a budget amendatory required for the necessary plan change?	Yes No	Secure Community Development Block Grant funding. Attempt to identify city funding sources. Apply other tests in this set.
	5. Are existing development controls necessary to protect any of the following: -- Previous investments in the project, or -- IPA commitments to citizens or developers, or -- Health, safety and welfare, or -- Marketability of remaining parcels, or -- Integrity of the plan concept?	Yes No	Apply Tests 8 through 12. Apply other tests in this set.
	6. Can some provisions of the plan be interpreted more broadly without specific plan changes?	Yes No	Apply broad interpretations whenever possible in specific disposition situations. Apply other tests in this set.
	7. Can some provisions of the plan be expressed in more general terms?	Yes No	Revise complete plan to as general a level as possible. Apply tests in next set.
	8. Can any developer responsibilities be shifted to the public? 8A. Will such a shift make the project marketable?	Yes No Yes No	Apply Test 8A. Apply other tests in this set. Apply Test 8B. Apply other tests in this set.
	8B. Will such a shift be in the public interest?	Yes No	Consider negotiating a shift in responsibility with potential developer. Apply other tests in this set.
	9. Can any amenity be added that would enhance the development potential of the project? 9A. Are funding sources available?	Yes No Yes No	Apply Test 9A. Apply other tests in this set. Apply Test 9B. Apply other tests in this set.
	9B. Would benefits offset costs?	Yes No	Consider providing amenity to improve marketability. Apply other tests in this set.
Retain Plan and Reorient Marketing	10. Can land price be adjusted to reflect added burdens of plan restrictions?	Yes No	Consider adjusting land price to improve marketability. Apply other tests in this set.
	11. In light of apparently limited options available, has the marketing program been fully evaluated and tested?	Yes No	Apply Test 12. See Chapters 3 and 24 and apply other tests above.

PROBLEM: INFLEXIBILITY OF PROJECT PLAN

basic alternatives

tests

12. Is sale of sites impossible under present plan constraints?

findings

Yes

No

specific actions

Reconsider previous tests to determine method of amending plan.
Retain plan and continue marketing.

We recommend that a person evaluating the problem of an inflexible urban renewal plan read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Inflexibility of Project Plan." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as sub-headings to clarify the context of the discussion of the tests.

● Reduce the Specificity of the Plan

1. Before changing the plan's requirements, a careful analysis should be made of the marketing program. Perhaps a more aggressive sales effort, or a different marketing approach, might be all that is necessary to dispose of the remaining parcels. If a more intensive marketing effort proved successful, the original objectives would not have to be compromised and the delays inherent in plan changes would be avoided. For guidance in evaluating the marketing efforts to date, see chapters 4 and 24. If the marketing program has been pursued intensively, but to no avail, changing the plan is warranted.

2. Changing the urban renewal plan in any substantial way necessitates the involvement of the PAC, the City Council, the LPA, and HUD. The original plan generally evolved through much effort, and changes in the land use, circulation patterns, public improvements, public facilities, and other elements may not be taken lightly by various groups interested in the development of the project area. Documentation of the justification for making changes may have to be extensive to satisfy community groups, and the whole issue may be charged with controversy. This is a more common problem in residential than in nonresidential projects; in the latter, the PAC is frequently composed of local business people (often in an existing association), and changes are more likely to represent a nearly uniform opinion.

Under any circumstance, the process required for a plan change will delay the project; but if controversial issues are involved, extensive delays may be encountered. Although RERC did not discover cases where HUD opposed a plan change that did not involve an addition to the project budget, the process required to obtain HUD approval for a plan change can delay project activities for an extended period of time. If the controversy or the delays that will be encountered are unacceptable, the two other approaches to overcoming the plan's deficiencies are suggested in Tests 8 through 12.

3. Frequently, new streets, new utility lines, and public facilities like parking garages have been constructed that set up parcel sizes, configurations, and relationships that preclude a use different from the one originally envisioned in the plan. In a southwestern city, for example, parcels that were sized (by streets and utility locations) for a large-scale, high-density residential project were not easily adaptable to the smaller residential and nonresidential complex that became the necessary use because of changing market conditions.

Through a mistake in the layout of parcels in the urban renewal plan or through a developer's building layout responding to plan-dictated requirements, some cities have been left with remnant parcels that are nearly unusable. Chapter 14 deals with the problem of small or poorly configured parcels and should be consulted if the LPA faces this situation. Also, Tests 8 through 12 suggest two approaches to this problem that might be appropriate.

4. Some plan changes may not require any alteration in the project budget. In the future, those projects that require additional funds will fall under the provisions

of the Community Development Block Grant program. In most cities it will be necessary for the LPA to make its requests directly to the Mayor, or community development coordinator for renewal funds. If local funding through the CDBG program is not available, then the LPA should explore such possibilities as private foundation assistance in open space funding, state funding for improvements, the city's normal capital improvements program budget, or private funding from the local business community.

5. A careful assessment must be made by the LPA of the role of existing development controls in protecting previous investments (both public and private) in the project. To a certain extent, the agreement that all affected redevelopers must enter into with the LPA regarding the changes in the plan and its controls indicates the existing investor's opinion that no adverse effect will occur. Transcripts of public hearings and meetings with citizen groups, correspondence and memoranda, and disposition agreements should be studied to determine the specific commitments made by the LPA regarding the provisions of the plan. The PAC and other interest groups should be contacted to discuss proposed changes and their relationships to original LPA commitments that were designed to protect and enhance the community within which the renewal project is located.

If it appears that original development controls were too stringent, amendments to the plan should be considered. However, the LPA should evaluate the likely impacts of proposed changes carefully. For example, it might not be wise to reduce development controls in areas with a large number of buildings of historic interest or ones suitable for rehabilitation. Such buildings, because of their age and probable run-down condition, are most susceptible to pressures to increase density, to slacken maintenance, and to reduce new investment in improvements. If development controls were loosened, such pressures might lead to an increase instead of a decrease in blight.

By relaxing development controls, residential densities might increase and amenity features might decrease. The impact of these or other forces on increasing crime or endangering the health or general welfare of citizens must be weighed by the LPA. Lessening plan controls may result in lower value, lower quality development which, in turn, may call into question the objectives of the project. The improvements in a project resulting from a proposed plan change could conceivably be of less

benefit to the city than the original land uses as upgraded with the exercise of code enforcement and other pressures for improvement. Such lower value, lower quality development may also have an adverse impact on the marketability of remaining parcels and on land in the blocks surrounding the project.

6. Because formal plan changes require so much time and effort, an ideal shortcut is to adopt a broad interpretation of conditions cited in the original plan. It is almost always possible to gain leverage by taking a less than literal approach in applying controls specified in the plan. This is relatively easy for plans with very general reuse designations (i.e., "commercial" reuse rather than "office building with a floor area ratio of 4 to 1"). However, even very explicit plans can often be interpreted quite liberally.

In the cities studied by RERC, the most dynamic LPAs were also the ones that adopted the most flexible postures in dealing with developers -- in terms of plan modifications as well as take down scheduling, paper work requirements, timing of project improvements, and agency contribution of amenities or such ancillary facilities as parking garages. This type of flexibility in negotiations is generally a reflection of an aggressive and active LPA and usually demonstrates an overall outlook of staff members. Those Agencies that adopt literal interpretations of all regulations, including the project plan, tend to have slow disposition and have difficulty attracting experienced, capable developers.

Developers should be encouraged to suggest modifications to the plan that they believe would make the project more attractive, marketable, and responsive to design and construction efficiencies. So long as the suggestions are compatible with the intent of the plan and are not contrary to its goals and objectives, the LPA should give due consideration to them. If the Agency is convinced that the ideas set forth are beneficial, efforts should be made to interpret broadly the plan's standards and controls to resolve existing conflicts. For example, the LPA in a southern city broadly interpreted a project plan's requirement for a specific parcel to be used for a university's dormitories as enabling any type of university use. Since dormitories were no longer required by the time of land disposition, this change in interpretation saved considerable time that could have been spent in making a formal plan change.

7. A re-examination of the urban renewal plan may reveal ambiguities, unclear development requirement, and needless details that add nothing to the effective planning of the project. A rewrite of the plan may be in order to clarify and simplify its provisions. It may be a useful practice to update renewal plans regularly in order to insure their practicality. Such an update may not necessarily require "changes" of the type necessitating formal community and HUD approval, but it may accelerate disposition.

- Retain the Plan and Increase Developer Incentives

8. Parking provisions of a renewal plan, particularly when structures (either above ground or underground) are required, may make a project's financial feasibility marginal. Some or all of the parking could be shifted into the public area of responsibility, either through financial packaging or outright development by a public agency. Other elements required by the plan should be analyzed to determine whether a public agency could take either full or partial responsibility for them.

The analysis of the various improvements called for in the plan should consider the costs and benefits of such shifts from the private to public sector. It may not be to the city's advantage to take taxable property off the tax roles if the reduced private portion's tax yield is insufficient to cover the services required to support the development (including the cost of parking, landscaping, or whatever was shifted). On the other hand, the proposed development may generate high sales or property taxes or may serve as a catalyst for other development in the urban renewal project; in that case, public expenditures or concessions may pay off handsomely.

9. Amenities are difficult to pin down in terms of the benefits that may accrue from them. However, in many cities where extensive attractive and functional features have been provided in the renewal projects, there is a strong feeling that the amenities have furthered land disposition.

In Cincinnati, the focal point of the downtown and the major public open space, Fountain Square, and the skywalks radiating from it provide a design and a promotional theme that has proven highly attractive to developers. Sacramento operates a mini-bus linking one end of its mall to the other, which facilitates comparison shopping and encourages full use of the mall. Amenities can be provided for aesthetic value (e.g.,

parks, plazas, gardens and fountains), as well as for highly practical land disposition purposes. In a few cities, publicly developed parking -- not necessarily within the renewal project's boundaries but in proximity to the project's primary buildings needing parking -- has contributed to the successful disposition of land. Improvement of off-site access may also be an amenity for which public investment is justified. A funding source must be identified for any amenity and the benefits accruing from it should be carefully weighed against its costs before an LPA embarks on a program to provide such improvements.

10. Requirements for large amounts of parking and for extensive plaza/landscaping areas frequently are burdens on the financial feasibility of a project. In one large western city, open space requirements for office buildings in an urban renewal area have severely limited disposition efforts -- even though a strong market existed and many buildings were constructed on nearby nonrenewal sites that had not been cleared and made ready for development. Limitations on height and density may also be too restrictive especially if they were not considered fully in the pricing of the land. Constant review of the land price should be conducted, particularly in light of significantly increasing construction costs, and adjustments should be made where appropriate. If pricing cannot be reduced because of project economics, amendment or reinterpretation of development restrictions should be considered.

- Retain the Plan and Reorient Marketing

11. If none of the above actions can be used to correct the problem of an apparently inflexible plan, a thorough examination of the marketing program is in order. Perhaps a totally different emphasis or method of approaching prospective developers should be tried. Other chapters in these guidelines deal with marketing related problems. One or more of these chapters may reveal a weakness in the current marketing program.
12. If all marketing approaches have been exhausted without success, a change in the plan may be the only alternative. If, however, there is a likelihood that conditions will improve with a five-year period, efforts to dispose of the land should continue. While this slow disposal process is continuing, the vacant remaining sites should be kept at a high level of maintenance in order to enhance the development that has already taken place and to present as favorable an impression as possible to prospective developers.

SMALL OR POORLY CONFIGURED PARCELS

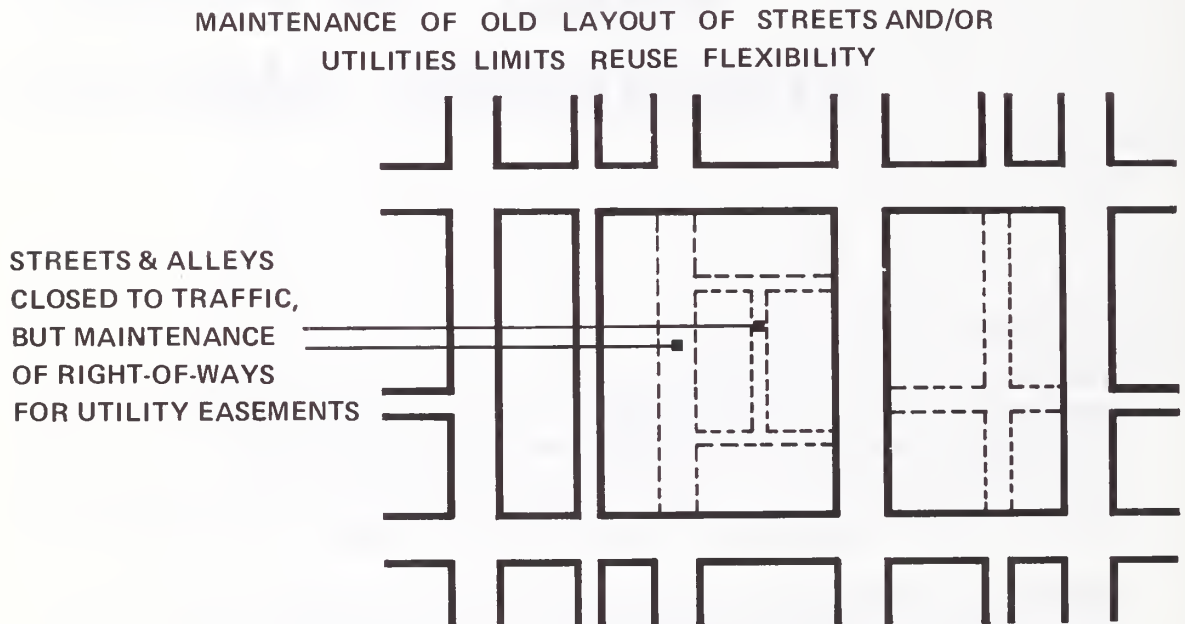
A. Statement of the Problem

Nowhere has an LPA created a parcel which it thought at the time would not be marketable. Usually small or poorly configured parcels that have become marketing headaches were the result of well-intentioned actions. However, some LPAs have solved the problem of small, unusable parcels often created by public works projects -- particularly highway construction.

During the early years of urban renewal, many plans were prepared that divided up disposition parcels into small lots. This concept was based on prior building patterns of small stores, industrial structures or offices or a few houses being constructed at a time by a small contractor. Although there was a market for some development following this pattern, experience has indicated that redevelopers preferred to work with larger parcels. Thus, in those cities with such plans -- and with parcels acquired through spot clearance or hardship acquisition -- many lots remain that are incompatible with present-day development patterns.

Another way in which small and poorly configured parcels emerged was through the installation of public improvements within the project. A new street cutting between structures that were to remain may have left a remnant parcel outside of the street right-of-way. Utility lines may exist -- or have been installed in such a way that a small parcel remains hemmed in by the utility easement, streets or existing structures.

Some cities have experienced the failure of developers to complete projects. The land that remains undeveloped might be in such a shape or location or of such a size as to make future disposition difficult, if not impossible. In other cases, LPAs have been anxious to meet the demands of a potential developer and have sold off part of a larger parcel, leaving a poorly configured remainder that is not easily marketable.



B. Basic Strategy Alternatives

The problem of small or poorly configured parcels can be dealt with in three ways, as summarized below:

- Try to Sell Parcels Without Changing Their Nature -- Under this alternative, a review of the marketing program is called for. The requirements of the urban renewal plan governing redevelopment should also be examined.
- Change Size Characteristics of Parcels to Improve Marketability -- Consideration should be given to the possibility

of aggregating small parcels, which might involve further acquisition, and changing parcelization. Access and utility service to the parcels should also be examined.

- Do Not Sell Parcels -- This alternative of "last resort" involves consideration of interim uses, leasing of lots for temporary use, donating the sites to eliminate maintenance costs, and land banking the lots in anticipation of a future improvement in market conditions.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 14 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of small or poorly configured parcels read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Small or Poorly Configured Parcels." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

basic alternatives

Try to Sell Parcels Without Changing Their Nature

tests

1. Is the parcel a remnant that is possibly unsuitable for use except by adjoining users?
 - 1A. Have adjoining users been contacted?

11B. Are there indications that the price is too high?

- 1C. If remnant was created through construction of a public improvement, has the responsible agency been offered the parcel?

2. Do urban renewal plan design restrictions too rigidly limit potential reuse of the parcel?

3. Have the following actions been taken to put the lots in good and marketable condition:

- 3A. Is all trash regularly removed?

- 3B. Have all structures scheduled for removal been demolished?

- 3C. Are sidewalks, curbs, and on-site utilities in good condition?

- 3D. Is regular surface maintenance of sites provided?

4. Have public improvements been made (e.g., street widening and paving, curbs, gutters, street lighting, storm and sanitary sewers)?

5. Have each of the following marketing approaches been tried:

- 5A. Selling parcel to adjoining owner?

- 5B. Selling to public agency (e.g., for tot lot, playground, pocket park, vehicle storage)?

- 5C. Selling individual lots to builders/firms for small scale construction?

findings

- | | | |
|-----|--|-----|
| Yes | | Yes |
| No | | No |

- Yes
No

- Yes
- No

- Yes
No

- Yes
No

- Yes
-
- No

- Yes
-
- No

- Yes
No

- Yes
No

- Yes

- es
-
- lo

- es
-
- lo

specific actions

Apply Test 1A.
Apply other tes

Apply Test 1B.
Contact adjoining

See Chapter 5 ("Overpriced Land") and apply Test 1C. Apply other tests in this set.

If full LPA pressure has been applied and responsible agency has refused parcel, apply other tests in this set. Contact agency and apply full LPA pressure to dispose of the parcel so that it will be maintained or incorporated in unfinished right-of-way.

See Chapter 13 ("Inflexible Project Plan").
Apply other tests in this set.

Apply Test 3B.
Arrange for regular trash removal.

Apply Test 3C.
Contract for demolition.

Apply Test 3D.
Contract for repairs.

Apply other tests in this set.
Arrange for grass cutting, etc.

Apply other tests in this set.
Make improvements. Consider staged program of physical improvements when neighborhood is extremely large.

Apply Test 5B.
Check with all adjacent property owners to determine interest.

Apply Test 5C.
Contact as wide

Apply Test 5D.
Consider contact

Consider contacting possible developers of such uses as mini-warehouses, incubator industrial space, small offices, etc. Also consider disposition for outdoor storage. Agency may consider providing technical assistance to potential buyers in preparing plans, obtaining financing, letting construction bids, locating tenants, etc.

PROBLEM SMALL OR POORLY CONFIGURED PARCELS

basic alternatives	tests	findings	specific actions
	5D. Encouraging buyer interest in interim/secondary uses?	Yes No	Apply Test 5E. Consider selling parcels for parking, mobile homes, or lower-than-designated use.
	5E. Using small parcels for relocated housing or scattered site public housing?	Yes No	Apply other tests in this set. Survey inventory of housing units to be acquired to identify structures that could be relocated to available small parcels. Contact Local Housing Authority regarding possible scattered site construction.
	6. Is land overpriced?	Yes No	See Chapter 5. Apply other tests.
	7. Is there a market for larger parcels?	Yes No	Aggregate smaller parcels where possible. Acquire adjacent parcels or "package" with adjacent land for combined public/private disposition. Consider change in use, density, and price to reflect new size of parcel. Apply other tests in this set.
Change Size Characteristics of Parcels to Improve Marketability	8. Is access to sites adequate?	Yes No	Apply tests in this set. Review parcelization to increase frontage. Evaluate cost of securing access easements, or planning and constructing adequate streets to provide access.
	9. Would division improve marketability?	Yes No	Consider division of small residential and commercial parcels to sell each part to abutting owners. Consider division of poorly configured sites for sale to abutting owners to create new marketable parcels. Apply other tests in this set.
Do Not Sell Parcels	10. Do current utilities serve the newly created parcel?	Yes No	Apply other tests in this set. Install utilities to make parcels marketable.
	11. Are there interim uses which would be supportive to existing neighborhood uses (e.g. storage areas, industrial, parking, playgrounds, tot lots, pocket parks)?	Yes No	Consider such uses. Apply other tests in this set.
	12. Could sites be leased for minimum annual payment for interim uses that would serve the public interest better than continued vacancy (e.g., for churches, clubs, neighborhood facilities)?	Yes No	Consider such uses. Apply other tests in this set.
	13. Is holding land in land bank desirable because future market conditions might improve and enhance attractiveness of parcels?	Yes No	Hold in land bank and maintain sites. Review sites annually. Apply other tests in this set.
	14. Could sites be donated to someone who would maintain them in good condition or use them in an acceptable manner?	Yes No	Consider donation, especially if maintenance costs are high. Place in long-term land bank and maintain in good condition.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as subheadings to clarify the context of the discussion of the tests.

- Try to Sell Parcels Without Changing Their Nature

1. Examples in a number of cities indicate two separate but closely related problem areas. The first has to do with remnant parcels, often created as a result of highway or occasionally utility right-of-way acquisition and construction. The second has to do with small or poorly configured parcels, often inadvertently created as a result of various actions on the part of the LPA, or changed market conditions that have reduced the demand for small lots.

Rather than attempt to find a separate purchaser for a remnant parcel with limited size or poor shape, owners of abutting property should be contacted. The site may serve for future expansion, parking or an attractive landscaped setting for the adjacent buildings. In Waco, Texas, several parcels in the downtown area were disposed of in this manner.

The LPA should look closely at the price of the land that could be disposed of to an adjacent owner. A remnant piece of land, if its price is cut, may be useful to the adjacent owner, but the use to which it would be put might not justify purchase at the original price. In Tampa, Florida, HUD concurred in a drastic price reduction of a small, inappropriately sized parcel to an abutting property owner. The LPA should, however, consider the use that the abutting owner would put on the land. It may be that the use would be more injurious to the environment being established by the renewal activities than the alternative of not selling the parcel.

Highway construction -- and to a certain extent utility construction -- may leave small or poorly configured remnant parcels on the edge of the right-of-way. If abutting owners are not interested in the severed properties, the agency responsible for the public improvements should be convinced by the LPA to acquire and maintain the land adjacent to the right-of-ways. Some public building construction might also create remnant parcels, but the responsible agency would be considered an adjacent property owner and then could be approached as described above.

2. The parcels' small size or poor configuration already create constraints to a prospective redeveloper. The additional constraints applied to the property by the renewal plan's standards and controls may make development impractical. The plan's use and development provisions for the parcel should be reviewed and changes initiated if such requirements seem inappropriate or unduly restrictive. Chapter 13 deals with the problem of flexibility in project plan requirements.
3. It is extremely important that sites being marketed by an urban renewal agency be kept in good condition. Specifically:
 - Trash should be removed regularly.
 - Buildings that are to be removed should be demolished.
 - Sidewalks, curbs, and on-site utilities should be in good condition.
 - Sites should be graded and planted with grass, spread with wood chips, or otherwise surfaced and maintained in a neat and orderly manner.
 - Regular maintenance should be provided to keep weeds under control. This benefits the surrounding neighborhood, and it enhances the marketability of the specific disposition sites.
4. If aggressive efforts are being made to market small or poorly configured parcels, any planned project public improvements should already be completed. This includes installation or replacement of storm and sanitary sewers, street widening and paving, installation of curbs and gutters, and provision of street lighting. Evidence of public commitment to the project area increases the confidence of both potential investors and remaining occupants. Although new curbs and sidewalks might be damaged during subsequent construction, the increased marketability of sites after improvements are made generally outweighs the relatively minor cost of repairs after construction.

In many cities, the small, inefficient parcels are scattered through NDP areas that are so large that public improvements cannot feasibly be made simultaneously. In such cases, consideration should be given to staging both public improvements and intensive marketing of lots. By focusing marketing primarily upon the areas where improvements have been made, concerted efforts can be made to dispose of the parcels with the most amenities and the greatest created value.

- 5A. As in the case of remnant parcels, the primary market for other small or ill-configured properties is adjacent property owners. This is especially true in commercial and industrial areas where established firms may be interested in expansion, construction of complementary facilities, or creation of supporting parking or storage areas. Thus, the first marketing tactic tried should be contacting all property owners with land adjoining the LPA's small or poorly configured parcels.
- 5B. After attempts to market the parcels to adjacent property owners have proven unsuccessful, public agencies should be contacted to explore the possibilities of their using the land. The LPA should approach public bodies with a list of uses that might be of interest to them. Expanded school playgrounds, health clinics, parking, storage, parks and play areas, welfare offices are but a few types of public uses that could be investigated. If an agency is responsive to using the parcel, the LPA could assist in arranging for a developer to construct a facility to the agency's specifications. It is possible that a trade-off could even be arranged so that the developer awarded the construction contract could be induced to purchase and undertake development of another site within the urban renewal project.
- 5C. If there is a market in the urban renewal area for small offices, mini-warehouses, townhouses or small apartment buildings, incubator industrial space, etc., the Agency should consider providing assistance to local contractors so that they can construct small-scale or speculative buildings on the parcels. The types of assistance that an LPA can provide include: working with the builder to obtain building permit approval, contacting local financial institutions to obtain short-term financing, encouraging local lenders to make mortgage commitments, urging local government agencies to provide utility hook-ups and complete building inspections, and locating possible occupants.

The LPA could also prepare "kits" to encourage local small business persons to construct buildings on the small or poorly configured renewal lots. Such kits could include physical plans, information on prefabricated components, guidelines for negotiating with subcontractors, requirements for local permits and inspections, and information on short- and long-term financing.

- 5D. The parcels could also be marketed for parking or other secondary uses with the understanding that that would not remain as the permanent use. Small modular structures such as mobile homes and offices also could be allowed if the LPA believed that such a secondary or lower-than-designated use would be compatible with the other development within the project.

Though purposeful marketing of sites for interim uses could be viewed as violation of the anti-speculation provisions of urban renewal legislation, this type of disposition can be justified if the market for the higher use is not likely to develop for some time. Early disposition for an interim or secondary use may save the LPA administrative, maintenance, and interest costs that would actually exceed the difference in earlier and later obtainable land price.

- 5E. In several cities, small residential parcels have successfully been used as sites for standard housing units that were moved from highway or urban renewal clearance areas. This possible use of scattered lots should be considered.
6. In order to encourage development of a small or poorly configured parcel, substantial adjustment may be required in the pricing of land to better reflect the realities of the site and its limited uses. In one midwestern city, we found several examples of remnant parcels that were valued at precisely the same cost per square foot as larger, better configured, and more marketable sites in the immediate vicinity. In short, fair market value for a small or poorly configured site must reflect its limited market and limited number of suitable uses. If this appears to be a problem, and the demand for the land is unsatisfactory, serious consideration should be given to a realistic reappraisal of the parcel.

● Change Size Characteristics of Parcels to Improve Marketability

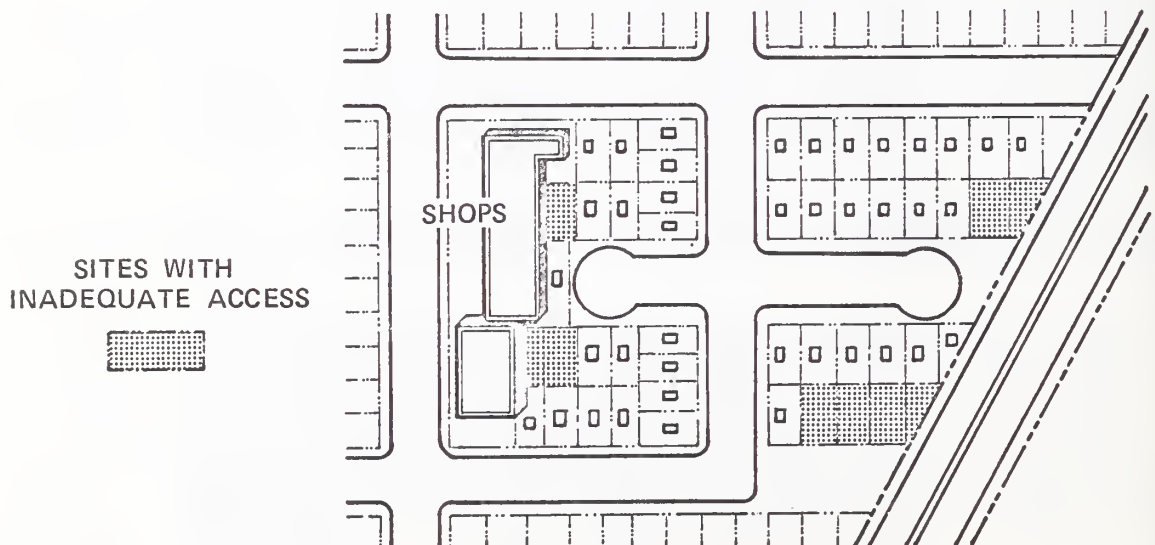
7. If marketing efforts have been unsuccessful when the original size and shape of the small or poorly configured parcels have not been changed, the LPA should evaluate the possibilities for marketing larger parcels. If the marketing prospects appear to be promising for larger lots, efforts should be made to increase the size of the parcels in the unsold inventory. Wherever possible, adjoining vacant lots should be merged to form a larger single parcel. In some cases, it might prove feasible to acquire adjacent parcels to enlarge

lots that are presently vacant. This should be considered seriously if buildings on an adjacent lot are in need of extensive rehabilitation that is not being undertaken or if the two parcels together could be marketed for a higher-density use. The latter circumstance could lead to a higher price being obtained for the newly created larger parcel.

An eastern city experienced strong interest by commercial developers in their central area renewal projects, but several parcels were poorly shaped and too small for the type of developments proposed by the builders. The parcels were in an NDP area and inadequate funding prevented the LPA from assembling sites large enough to accommodate one building. In this case, it probably would have been in the city's best interest to provide funds for acquisition since they would have been repaid rapidly in tax revenues from the new buildings.

8. The LPA should review the access characteristics of small or poorly shaped parcels in the unsold inventory. If access is inadequate, the cost of improving it should be evaluated. It is possible that the cost of increasing street frontage, changing street patterns, or acquiring access easements would exceed the recoverable value of the improved parcel. In that case, access should not be changed and Tests 11, 12, 13, and 14 should be applied.

TYPICAL ACCESS PROBLEMS OF SCATTERED RESIDENTIAL LOTS



9. We have found some instances where the marketability of a small or poorly configured parcel can actually be improved by further subdivision into smaller lots. If the price is attractive, the resulting subdivided parcels can sometimes be sold to adjacent property owners for such ancillary uses as additional parking, a garage, or simply additional private open space. While the potential of this tactic is not always applicable, it should certainly be considered for its possible appropriateness to a difficult problem.
10. Some small parcels, particularly those remnants from highway or other major public work activities and lots created by further subdivision as described in Test 9 above, may not be served by all or some utilities. Construction of the needed utility service should be accomplished in order to make the parcels marketable. Before proceeding, the LPA should assess whether the cost of providing such utility service would exceed the recoverable value (considering both initial sales price and tax generation).

- Do Not Sell Parcels

11. If vacant small parcels are perceived as a blighting influence in the project area or if there is a need for play areas, tot lots, "victory" gardens, pocket parks, parking or storage areas, such interim uses should be considered for unsold small or poorly shaped parcels. Three things should be borne in mind, however, about such interim uses. First, the maintenance costs are likely to be considerably higher than for unused vacant lots and those costs will have to be borne by the Agency. (Attempts to encourage maintenance by local residents and property owners generally fail over time as interest wanes and original supporters move away.) Second, residents and others will tend to view the play areas, parks, parking, etc. as permanent rather than temporary uses and may raise objections if the lots are subsequently sold for construction of other uses. Third, adjacent owners may object to interim uses that generate a lot of activity or are not physically attractive. Thus, it might be better to donate the lots to the city under Test 14 if long-term market prospects are not particularly promising.
12. It is possible that some small or poorly configured parcels could be used by nonprofit organizations on an interim basis for recreation or other purposes. In exchange for maintenance, the lots could be leased to churches, clubs, day care centers, schools, etc. for a

token payment of \$1.00 per year. Some of the objections to interim uses cited under Test 11 above may also apply to this option.

13. If all marketing approaches have been exhausted without success but there is a likelihood that market conditions will change within five years, consideration should be given to land banking the small or poorly configured parcels for future disposition. A careful cost analysis should be performed to be sure that ultimate disposition proceeds would cover interim administrative, interest, and maintenance costs. If the benefits are likely to exceed the pre-disposition costs, the parcels should be landbanked and then be reviewed on a semi-annual or at least annual basis. Even when marketing is in abeyance, the sites should be well maintained to enhance the viability of the surrounding area. To cover maintenance and other interim costs, the potentials of Test 11 and 12 should be re-examined.
14. A final disposition tactic is to donate lots to adjoining owners, the city, or community organizations. This tactic should only be followed if market conditions are not expected to improve within five years or if interim maintenance, administrative, and interest costs will far exceed the expected final disposition price of the small or poorly configured parcels.

15

PREDISPOSITION NONPERFORMANCE BY DEVELOPER

A. Statement of the Problem

"How long should an LPA keep a developer under contract when a project does not appear to be moving ahead?" This question is faced at one time or another by practically every urban renewal agency. Any number of reasons cause predisposition delays in developer performance, as demonstrated by the following examples:

- Inability to arrange financing for an ambitious project originally conceived of to win a design competition.
- Initial interest in a site on the part of a national developer who is actually keeping options open in several cities and is not focusing particular attention on all of them.
- Well-intentioned commitment to a site by a local entrepreneur who is subsequently unable to attract joint-venture partners.
- Genuine interest by residential developers relying on subsidy financing who have difficulty meeting government requirements or cannot obtain funding.

In most cases, these delays are understandable and even excusable; often they are also beyond the control of the developer. Nonetheless, LPAs have frequently granted

postponements to developers for long periods of time, only to find the sites back in their hands in the end.

Between the time a parcel is contracted and the time it is deeded, an LPA must carefully monitor the progress of a developer. If there are indications of dallying, a hard line should be taken to spur action. If there are indications of excellent intentions but inability to coordinate development planning, the LPA should consider offering direct assistance to the developer -- if it is clear that the inability to "package" the project does not also indicate inability to execute it.

B. Basic Strategy Alternatives

When an LPA faces the problem of a developer's nonperformance before a parcel is deeded (either a single parcel or part of a larger take-down agreement), there are three basic alternatives that can be followed:

- Allow Indefinite Continuation -- This should only occur when the delay is in the best interest of the Agency or when the delay is temporary, correctable, and beyond the control of the developer.
- Allow Contingent Continuation -- Under this alternative, the LPA would set specific time limits for the developer to "package" the project and be prepared to formally acquire the property.
- Terminate Developer -- This action would be taken when it is clear that the developer cannot carry out the project, when time limits set under the second alternative have expired, or when strong interest in the site is expressed by another developer capable of promptly executing suitable construction.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 17 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of predisposition nonperformance by a developer read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and

PROBLEM: PREDISPOSITION NONPERFORMANCE BY DEVELOPER

basic alternatives	tests	findings	specific actions
Allow Indefinite Continuation	1. Is the parcel competitive with other agency land?	Yes No	Apply tests for contingent continuation. Apply other tests in this set.
	2. Is the parcel contingent on other development or project improvements?	Yes No	Award extension and expedite other development/project improvements. Apply other tests in this set.
	3. Have adverse changes beyond the developer's control delayed performance? 3A. Are the changes temporary and correctable? 3B. Are governmental agencies responsible for the delay?	Yes No Yes No Yes No	Apply Tests 3A and 3B. Consider alternative uses. Award extension and set date for review of decision. Consider alternative uses. Provide assistance to developer in dealing with other governmental agencies. Apply other tests in this set.
Allow Contingent Continuation (with specific time limits)	4. Does a current market exist for the planned reuse?	Yes No	Apply other tests in this set. Broaden or redefine reuse.
	5. Is the project complex and therefore inescapably time-consuming?	Yes No	Set realistic time limits. Apply other tests in this set.
	6. Is project financing arranged?	Yes No	Apply other tests in this set. Approach local banks in developer's behalf. Examine possibility of obtaining government assistance (federal, state, local) and pursue any options.
	7. Is the developer financially/managerially capable?	Yes No	Apply other tests in this set. Attempt to provide packaging assistance or consider termination.
	8. Is the developer national?	Yes No	Consider termination. Consider providing technical assistance (e.g., provide promotion, negotiation with lenders/tenants, removal of red tape).
	9. Is the design appropriate?	Yes No	Apply other tests in this set. Consider relaxing development standards. Require redesign.
	10. Have actions of citizens' groups attributed to developer's delays?	Yes No	Assist in mediating between citizens and developer. Apply other tests in this set.
	11. Could the LPA provide technical assistance that would expedite the project?	Yes No	Provide assistance or require that it be obtained. Consider termination.
	12. Are there specific portions of the land disposition agreement that could be renegotiated to expedite developer performance?	Yes No	Consider renegotiation, if it is in the public interest. Apply Tests 12A and 12B. Consider other tests in this set.
	12A. Could the contract be made less specific with respect to actual land take-down to allow developer flexibility?	Yes No	Amend disposition agreement to permit flexibility. Apply Test 12B.

PROBLEM: PREDISPOSITION NONPERFORMANCE BY DEVELOPER

basic alternatives	tests	findings	specific actions
Terminate Developer	<p>12B. Would a broadened interpretation of acceptable reuse enhance the developer's flexibility?</p> <p>13. Might there be other developers available?</p> <p>14. Is the planned project so strongly in the public interest that it is worth pursuing further in spite of delays?</p> <p>15. Is termination of the developer politically acceptable?</p> <p>16. Has a warning been issued?</p> <p>17. Does the LPA have a legal right to terminate?</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p>	<p>Notify developer of relaxed interpretation. (Also reconsider Test 4.) Apply tests in next set.</p> <p>Informally discuss with other developers. Attempt renegotiation or indefinite extension.</p> <p>Consider shifting to another developer or forming a joint venture if possible; otherwise grant extension. Apply Test 15.</p> <p>Apply Test 16. Attempt renegotiation or indefinite extension.</p> <p>Issue final warning or terminate. Consider negotiation or issue warning with definite time limits.</p> <p>Consider termination. Correct legal obstacles.</p>

the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Pre-disposition Nonperformance by Developer." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as subheadings to clarify the context of the discussion of the tests.

● Allow Indefinite Continuation

1. If a parcel is competitive with other agency land under development, and there is evidence of pre-disposition nonperformance on the part of a developer, there are probably adequate grounds for contingent continuation. If, for example, a hotel is presently under development, and there has been predisposition nonperformance on the part of a second hotel developer, this may be justifiable and even preferable. Prior to the LPA's final determination as to whether or not predisposition nonperformance should be allowed to continue, a review and update of the market for the

use in question should be undertaken. In general, the LPA should avoid competition with itself, in effect, by placing sites for competitive uses on the market at the same time, unless the LPA is assured of the fundamental strength of the market.

2. In some cases, one developer's project is dependent upon completion of another one. For example, a proposed small retail center may not be feasible until a large residential development is at least partially occupied. Similarly, a planned hotel or motel may not have sufficient potential patronage until a convention center or other traffic generator is completed. In this type of situation, the dependent developer should be awarded a contract extension -- so long as the primary development is moving ahead and so long as the future market demand for the second project still appears to exist.

If it is the LPA's responsibility to provide project improvements that are necessary for a proposed development, they should be installed as expeditiously as possible while the developer is granted an extension on his contract. As stated in the Urban Renewal Handbook, an LPA "must take appropriate measures ... to secure construction of improvements on project land sold or leased to redevelopers" (RHM 7214-1, p.6).

If another party has been designated to provide project improvements, the LPA should decisively use its influence to speed the completion of the improvements. It is essential that, whenever possible, the LPA offer its assistance to the developer in whatever form is most appropriate. If predisposition nonperformance by a developer is clearly due to the failure to make called for improvements, an extension in time should be granted.

- 3A. Our study has shown that delays in the execution of urban renewal projects are often caused by exogenous factors; that is, those beyond the control of the local Agency. Rises in interest rates constitute such a factor, over which LPA or developers have little control. Many lawsuits also fall into this category. The significance of these factors varies substantially. When the effects of these factors are only temporary, it is in the best interest of an LPA to extend the developer's contract to a later date when a review of his progress will be made.

When the effects of such factors produce irreversible circumstances that stymie a developer's efforts, the Agency should consider making any adjustments, within its power, to aid implementation of the development proposal. Changes may indicate, for example, consideration of an alternative reuse, an adjustment in the unit mix, or implementation of additional project improvements on the part of the LPA.

- 3B. FHA or HUD processing may have caused delays in responding to developers' take-down commitments. Problems with the preparation and approval of an Environmental Impact Statement may also cause a developer unforeseen delays.

As long as such impediments are clearly temporary and correctable and a developer's intentions appear to be good, an Agency should grant the developer an extension. All efforts to assist him in overcoming these difficulties should be undertaken. For example, the LPA staff could help the developer prepare any "sensitive" documents or could check with their HUD area office when the time taken to process documents becomes too lengthy. The LPA should use its influence, its staff capabilities, and its full resources to assist a developer in overcoming temporary obstacles. An example of such action occurred in Seaside, California where the LPA acted as an advocate for a potential developer in getting approval of his plans from the Coastal Commission. On the other hand, in a major midwestern city, the LPA has consistently failed to provide assistance to developers with government regulatory agencies, complicated paper work, and other factors beyond the capabilities of all but the most experienced developers.

● Allow Contingent Continuation (with specific time limits)

4. Between the time a LUMS (Land Use Marketability Study) is prepared and the land is placed under contract, innumerable forces can change the market demand for a particular parcel. Depending on the amount of time that has elapsed and the quantity and significance of the changes that have taken place in the area, the Agency should consider having another marketability study performed. In any case, an update study should be undertaken. If no market or a lesser market for the planned reuse is determined, the reuse should be changed or broadened. The LPA should provide developers -- or potential developers -- with the most complete and accurate market information possible.

This will assist in land disposition and, equally important, it should help to ensure that market acceptance for the use will encourage additional development as well.

In the majority of the projects studied by RERC, neighborhood shopping centers that were included in the urban renewal plan have proved to be impossible to develop. Time and again, developers who have contracted land for such a purpose have been unable to secure a prime tenant. The population in some instances is too small to support a convenience goods center or the income of residents is too low or the competition is too strong or the project area is considered too risky by grocery store chains. In other words, the market is not there. A detailed independent market analysis will confirm (or deny) the strength of the market, saving false starts and inappropriate delays.

5. Land development is by nature a lengthy process. The development process within urban renewal areas may take even longer because of the necessary coordination of several bodies -- developer, city, LPA, HUD -- and the required documentation and approvals necessary at the local and HUD area level. When a proposed project is also a multifaceted, complex one, the LPA should not set too idealistic a time frame for requiring developer performance. Rather, the LPA should remain flexible and work with the developer to establish realistic schedules. This is particularly true of parcels intended for more than one use. Such projects frequently involve complicated and time-consuming negotiations with major tenants, complex financial negotiations over construction and permanent financing, and major time requirements on the part of architects and engineers.
6. Inability to secure financing for a project has caused delays for countless developers. This is an area in which aggressive participation on the part of the Agency can really pay off. Specifically, the LPA can use its influence to secure aid from local financial institutions or other funding sources, which are often represented on the LPA's Commission. The LPA can be responsible for alerting a developer to federal, state, or local funding mechanisms of which he might not be aware. Furthermore, the LPA can make the initial contact with a bank, savings and loan, or government source of funds.

In several cities, such participation on the part of the LPA has been rewarding. In one case RERC studied, the LPA actively promoted financing by working with banks and the Small Business Administration (SBA) to arrange financing for a redeveloper. In another city, the LPA helped a developer to work with three banks to secure a "pooled risk" construction loan for a speculative retail mall. In times of high interest rates and limited availability of resources, contingent continuation is probably advisable when good faith efforts have been made to obtain financing but have not met with success.

7. A developer's inability to "package" his proposal may be a result of market changes, the complexity of his project, or difficulty in arranging financing, as has been discussed in relation to previous tests. Problems in development planning, however, may portend future difficulties in project execution. If, after providing any needed assistance, the LPA has indications that a developer's financial or managerial capabilities are in question, termination should be considered. A thorough review of a developer's past performance record, financial stability, and "staying power" should be undertaken prior to termination, however.

At times, the capability of a developer can be a very difficult issue to resolve. By all appearances, a developer may meet selection criteria successfully; yet he may have difficulties later. For example, in a midwestern city, a real estate subsidiary of an architectural and engineering firm located outside the city signed a contract to purchase 13 acres of land. The firm's development plan called for a multi-use project, including four apartment towers, two office towers, and a convention hotel. The contract was signed in 1970 and by 1973 the firm was released from their contract for most of the land because, although they had been granted several extensions, they were repeatedly unable to obtain financing for part of the project. The firm can be characterized as a subsidiary of a large corporation that became involved in real estate development despite a lack of prior experience or real knowledge of the field. They had, however, completed successful developments in other cities, and had apparently fully intended to implement the project until mid-1973. For many reasons, it was logical for the Agency to have selected this firm; yet in retrospect 2.5 years of

potential marketing time was lost because the developer did not have the experience necessary to obtain project financing.

In another city, when a locally-constituted development team was found lacking the financial resources and development expertise necessary to carry out their project, the city and LPA brought in an experienced outside developer as prime contractor to supplement the strengths of the local group. The outside developer managed to arrange for a sufficient number of tenant commitments, financing was then secured, and the development began.

8. In the early days of renewal, several major national developers became heavily involved in the urban renewal program, particularly in the downtown areas of a number of large cities. In all but a handful of cases, their involvement ended prior to the completion of the projects. This occurred for several reasons, including more profitable opportunities elsewhere, governmental red tape, and a lack of personal commitment to the success of the renewal project. In one major city, a major downtown parcel was committed to three separate national developers, each of whom withdrew from the project. The parcel was finally developed by a major local developer. In a large midwestern city, a national development firm affiliated with a major industrial corporation effectively tied up the city's key downtown parcel for more than six years, only to withdraw. Once again, the parcel was finally developed -- successfully -- by a local group.

This is not to say that national developers have no place in a renewal project. It is meant to suggest, however, that while their resources may be greater, their commitment is generally much weaker than that of local developers. Our findings very strongly indicate that, if a national developer has not taken title to a parcel within a maximum of two years from the date of contracting, and if development has not begun by then, the probability of subsequent development diminishes rapidly.

Even though an LPA may have to provide technical assistance to a less experienced or less well capitalized local developer, the additional expenditure of time and energy by Agency staff may pay off in sizeable reductions in development delays. This can lead to prompt increases in local tax revenues, as

well as acceleration in the disposition of renewal land.

9. Rigidly held design standards can cause serious delays. It is up to the LPA to determine when it is important to maintain such standards and when it is in the best interest of all concerned to relax the design requirements. As discussed in Chapter 13, flexibility in applying project plans and restrictions can be a critical factor in dealing with redevelopers.

In one city, inappropriate design restrictions that were rigorously adhered to by the LPA contributed to very substantial delays in the development of a retail shopping mall. The conflict was reconciled only after the LPA agreed to assume the costs of elaborate garages, underpasses, etc. A similar situation occurred in another city RERC studied when the LPA insisted that a bank building be constructed on air rights to improve pedestrian flow through a commercial area. These are examples of the kind of assistance that the LPA/city may need to offer if design restrictions are economically infeasible for the developer to satisfy. As mentioned, a fuller description of the problems relating to design considerations is contained in Chapter 13.

10. HUD regulations specify that a Project Area Committee (PAC) composed of local residents and groups be formed to participate in the detailed planning and execution of activities within an urban renewal project area. The PAC must participate in those decisions regarding the timing and location of all activities within the urban renewal area. Depending upon the complexity of the project area, the mix of property owners, the composition and representativeness of the PAC, and the coordination by the LPA, participation by local citizens may facilitate or hamper project development.

If PACs, local political bodies, or other interested groups have caused developer delays, the LPA is in an appropriate position to mediate between the citizens and the developer to achieve an understanding and set realistic guidelines. The LPA should counsel and advise the developer as to the goals of the citizen groups, as well as work with citizens to keep them well-informed about project activities in an attempt to facilitate project execution and avoid conflicts. A more complete discussion of citizen participation is included in Chapter 22.

11. When a selected redeveloper is relatively inexperienced, the LPA can provide considerable technical assistance to him in order to speed disposition activity. Such assistance can include contacting local lenders for short- and long-term financing commitments; urging local agencies to process permits, complete building inspections, and provide utilities and public improvements; locating tenants; and recommending consultants and service agencies to provide management and marketing assistance. Agency assistance can be of particular help, for example, in working with an inexperienced nonprofit housing sponsor.

In one city, a local nonprofit sponsor has been attempting for six years to develop a residential parcel under a plan calling for construction of 126 dwelling units of single-family low- and moderate-income housing. The Agency, while installing project improvements, encountered unforeseen soil problems. Because of these topographical problems, the number of planned units had to be decreased to 106; construction costs increased in order to correct soil problems; and rental rates were necessarily raised. For various reasons beyond the sponsor's control, he has gone through four different development consultants and two developer/contractors. Problems of every type have faced this sponsor. Unfortunately, many of them seem to have been avoidable, given adequate assistance and supervision. This experience is all too typical of citizen-based nonprofit sponsors* who have undertaken major projects without a strong development manager and without assistance and guidance from the LPA.

Another area in which LPA assistance can be extremely influential in a project's success is in finding tenants for new commercial facilities from among existing businesses in the city. Agencies, in our study cities, have in several cases been able to persuade local businesses to go into a new retail center, while at the same time encouraging businesses not to move out of the city or renewal area.

12. The LPA, as stated in HUD regulations, is not obligated to transfer title to land for private redevelopment until the developer has furnished the LPA with satisfactory plans for the redevelopment of the land and provided acceptable documentation to show that he has the financing needed to complete the project. The regulations make no specific mention, however, of how long or under what circumstances developers should be granted extensions and how and/or when they should be terminated.

- 12A. When it is in the best interest of the Agency and will enhance the renewal project to allow contingent continuation of a designated developer, all steps should be taken to provide the flexibility necessary to expedite developer performance. Revising the take-down schedule to achieve more flexibility is one way to accomplish this. The schedule dates could be extended or, as one city found appropriate, the schedule could be based on a specific percentage of land to be taken down by a certain date rather than based on completion of development on specific parcels. LPAs are often worried that developers will take advantage of them if take-down schedules are not rigidly structured. Extreme caution can be self-defeating, however, and the most successful disposition officers generally blend prudence with risk-taking in negotiating with developers.
- 12B. Even in a renewal plan that was reasonably well-conceived at the outset, the original demand projections may soon be outdated. One successful means of taking this fact into consideration and enhancing developer flexibility and, thus, aiding development efforts, is to ensure a high degree of flexibility in reuse categories.

In Tulsa, eight "development type areas" were created:

Residential -- High Density	Office -- High Density
Residential -- Low Density	Shopping Center
Public	General Commercial
Office -- Low Density	Limited Industrial

Each of these categories allowed most of the uses permitted in the others. The relative soundness of this approach is illustrated by the fact that few plan modifications have been required in terms of rezoning. This method of categorization has proved to be a significant accelerating factor in Tulsa and might be in other cities as well.

- Terminate Developer

13. If it becomes clear that the designated developer is unable to complete his project, if the time period in which he was to "package" his proposal has elapsed, and if another developer has expressed a strong interest in the site, termination should be considered. The LPA should attempt to ascertain the strength of developer interest in the site and, if it appears that one or more developers capable of executing a suitable

development exist, the first developer should be terminated and negotiations carried out with the others.

14. An example of a proposed development of high public interest found in a west coast city concerned the construction of a Mexican-American cultural center. The designated development group proved unable to carry out its proposal yet was not terminated for five years -- even though other developers were available -- because of the political "sensitivity" of the project and the high degree of citizen interest.

When such a situation exists, the LPA should consider bringing in another developer to supplement the capabilities of the first in a joint venture arrangement. If another developer can be brought in to undertake the same project entirely, consideration should be given to terminating the first and selecting the second. Specific time schedules should be established for those activities to be undertaken by the new developer. It is in the best interests of the LPA to monitor his progress closely to avoid undue delays.

15. In an east coast city, at the insistence of the city council, an entire 80-acre project was under contract to a "favored" local developer from 1968 to 1973. When that developer withdrew from the project, not only had five years been lost, but conditions had changed to such a degree that the potential market had greatly eroded, the project had acquired a negative image due to delay, and extensive improvements that were made for the "favored" developer were inappropriate for other developers.

In such circumstances, if it seems likely that the developer will not perform, the LPA should attempt to meet with those individuals or groups whose influence the developer is reliant upon to see whether or not some agreement can be reached that would hasten the redevelopment process. If such intervention fails, serious consideration should be given to terminating the developer, even if a great deal of time and energy have to be expended to cancel the contract.

16. If, after analysis of the above tests and other factors, an LPA has determined to terminate a developer's contract, a formal warning should be issued stating such an intent and the date on which it will be carried out. If a warning has been issued and the developer has not furnished the LPA with any additional information to indicate his progress, the

LPA should terminate his contract. At that time, the land will revert to the LPA, which should proceed to market it as soon as possible. The plan and the market for the intended reuse should be reviewed at that time.

17. If legal obstacles prevent an LPA from terminating a nonperforming developer, such obstacles should be examined thoroughly with counsel in an attempt to overcome them.

16

TIMING OF PUBLIC FACILITY CONSTRUCTION

A. Statement of the Problem

One critical -- and often overlooked -- problem concerning urban renewal land disposition concerns the timing of public facility construction. The public facilities most widely undertaken as part of urban renewal include:

- Elementary, junior high, and senior high schools.
- Public junior colleges, colleges, and universities.
- Parks.
- Parking lots and garages.
- Civic centers.
- Auditoriums and convention centers.
- Neighborhood centers.
- Government office buildings - local, state, and federal.
- Stadiums.
- Hospitals and medical centers.

Our research has indicated that, in many instances, the intent of the LPA is to use public facility construction as a catalyst to spur private development either in the project area or in areas adjacent to the renewal project. A far smaller number of cities have used public facility construction as the use of last resort when a private reuse market has failed to materialize, or has developed more slowly than anticipated.

We have further found that the manipulation of public facility construction (and, to a lesser extent, public improvements construction) has been done as much to secure local non-cash credits as to meet justifiable local needs. This posture has placed some cities in the position of overextending themselves and having made commitments they are subsequently unable or unwilling to meet.

A third problem encountered stems from the fact that construction of public facilities invariably takes a great deal longer than is ever anticipated. Lack of funding, interagency disputes, and the reliance of LPAs on scheduled construction of facilities by agencies that are beyond city control (school districts, state agencies, or other special districts) create problems that not only delay construction of public facilities, but often hinder overall land disposition. This fact, combined with voter reluctance in recent years to pass local bond issues necessary for public facility construction, has placed many LPAs in untenable positions.

There are no quick and easy solutions to such a complex series of problems. There are, however, several feasible alternatives that may be appropriate in dealing with an LPA's problems concerning the timing of public facility construction.

B. Basic Strategy Alternatives

Our research suggests three basic alternative ways to resolve problems concerning the timing of public facility construction, which are as follows:

- Accelerate Development of Public Facility -- There are certain times when it is clearly to an LPA's advantage to stimulate the prompt construction of public facilities.
- Modify Project or Public Facility Planning to Accommodate Later or Changed Construction -- Under this alternative, consideration would be given to when and under what conditions either the entire project or the planned public facility should be re-evaluated to accommodate changes that will delay or alter reuse.

- Change Reuse Designation -- Under this alternative, consideration would be given to changing the reuse designation -- either for the land intended for public facility construction or for the private reuses on adjacent parcels in the project -- to reflect the present reality of the situation.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 16 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

16

We recommend that a person evaluating the problem of timing of public facility construction read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Timing of Public Facility Construction." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

PROBLEM: TIMING OF PUBLIC FACILITY CONSTRUCTION

basic alternatives	tests	findings	specific actions
Accelerate Development of Public Facility	1. Is construction of a public facility intended to serve as a catalyst for private redevelopment?	Yes No	Analyze intended location carefully and then make every effort to accelerate development. Apply other tests in this set.
	2. Does private land disposition depend upon public provision of parking facilities?	Yes No	Create parking as rapidly as possible and apply Test 2A. Apply other tests in this set.
	2A. Is the financing method for public parking facilities developed?	Yes No	Apply Test 2B. Focus attention on this problem, working closely with parking authority, assessor, business groups, and any other possible city agencies.
	2B. Are funds available for construction of parking facilities?	Yes No	Proceed with construction rapidly. Apply Test 2C.
	2C. Is there reason to believe that funding will be delayed for a considerable period of time?	Yes No	Consider changing reuse plan. Apply Tests 15 and 16. Apply other tests in this set.
	3. Is there still a need for a specific public facility included in the original project plan?	Yes No	Apply other tests in this set. Consider revision of plan and other disposition alternatives.
	4. Are the city's (or other agency's) facility construction priorities in accordance with the urban renewal plan and the capital improvements budget?	Yes No	Apply other tests in this set. Attempt to coordinate planning with appropriate agency and revise the urban renewal or the other agency plan.
	5. Is the funding for the public facility construction dependent upon local voter approval?	Yes No	Apply Test 5A. Apply other tests in this set.
	5A. Has the bond issue been passed?	Yes No	Apply Test 5B. Encourage prompt placement of the bond issue on the ballot to determine future direction of project planning.
	5B. Is the amount of approved funding still adequate?	Yes No	Apply other tests in this set. Work with appropriate agency to discover other sources of funds or reduce scale of project.
	6. Is construction of the public facility critical for the local non-cash credit contribution to project financing?	Yes No	Make every effort to facilitate construction and avoid scaling down or canceling project. Apply other tests in this set.
	7. Is there strong coordination between the LPA and the agency responsible for construction of the public facility?	Yes No	Apply Test 7A. Attempt to improve coordination and apply Tests 7A and 7B.
	7A. Is there a procedure for mediating inter-agency disputes?	Yes No	Apply Test 7B. Develop a procedure for arbitration.
	7B. Have all affected public agencies been involved in the planning and design of the facility?	Yes No	Apply other tests in this set. Review project plans in joint session between LPA and affected public agencies.
	8. Have efforts been made to attract all possible government facilities to urban renewal project areas?	Yes No	Apply other tests in this set. Unless tax increment financing is used for urban renewal projects, solicit all possible agencies to locate new facilities on urban renewal land.

PROBLEM: TIMING OF PUBLIC FACILITY CONSTRUCTION

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
	<p>9. To accelerate private land disposition or to overcome bond issue failure, has the LPA attempted to offer tradeoffs to developers to construct and/or lease public facilities in exchange for undertaking private redevelopment?</p>	<p>Yes No</p>	<p>Apply other tests in this set. Attempt to arrange such tradeoffs by participating in negotiations between developers and public agencies undertaking construction.</p>
<p>Modify Project or Public Facility Planning to Accommodate Later or Changed Construction</p>	<p>10. Has construction of the planned public facility been delayed by failure of private disposition to proceed in a timely fashion?</p> <p>11. Is construction of a planned public facility dependent upon state or federal financing?</p> <p>12. Are there additional public facilities that could become the use of "last resort" after all other marketing efforts have failed?</p> <p>13. Have delays in construction of public improvements necessitated postponement of public facility construction?</p> <p>14. Have adverse factors beyond the LPA's and the public agency's control delayed development?</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p>	<p>Modify planned timing of public facility construction. Apply other tests in this set.</p> <p>Analyze the probability of funding being available on schedule, and revise development schedule if funding is at all questionable. Apply other tests in this set.</p> <p>Contact appropriate agencies regarding future facility needs and revise plan accordingly. Apply other tests in this set.</p> <p>Expedite public improvements and revise development schedule. Apply other tests in this set.</p> <p>If delay is temporary and correctable, revise development schedule. If resolution is not expected in foreseeable future, consider canceling commitment. Apply other tests.</p>
<p>Change Reuse Designation</p>	<p>15. Is it unlikely that funds for the planned public facility will be made available in the foreseeable future?</p> <p>16. Has opposition by the Project Area Committee or citizens groups effectively halted development and made future construction politically untenable?</p>	<p>Yes No</p> <p>Yes No</p>	<p>Seriously consider changing the reuse designation for the parcel. Apply other tests in this set.</p> <p>Change reuse designation. Apply other tests.</p>
<p>Prepared by Real</p>	<p>Estate Research Corporation and RTKL, Inc.</p>		

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as subheadings to clarify the context of the discussion of the tests.

- Accelerate Development of Public Facility

1. Many renewal agencies have attempted to use the construction of a public facility as a catalyst for private redevelopment. In theory, this is a very good strategy. A major public facility, such as a city hall, school, or parking garage, can stimulate investor confidence in an area that has undergone decline. This strategy is not always appropriate, however, and in many cases it does not work at all. For example, one city attempted to use the construction of a new city hall as a catalyst in a predominantly residential project area, and found that it had little or no impact on the sale of other parcels. The reason is really quite clear: the facility was not complementary to planned reuses in the project area; it was built in the wrong location.

Nevertheless, there are many opportunities for a public facility to be a very effective catalyst to private development. Here are some examples:

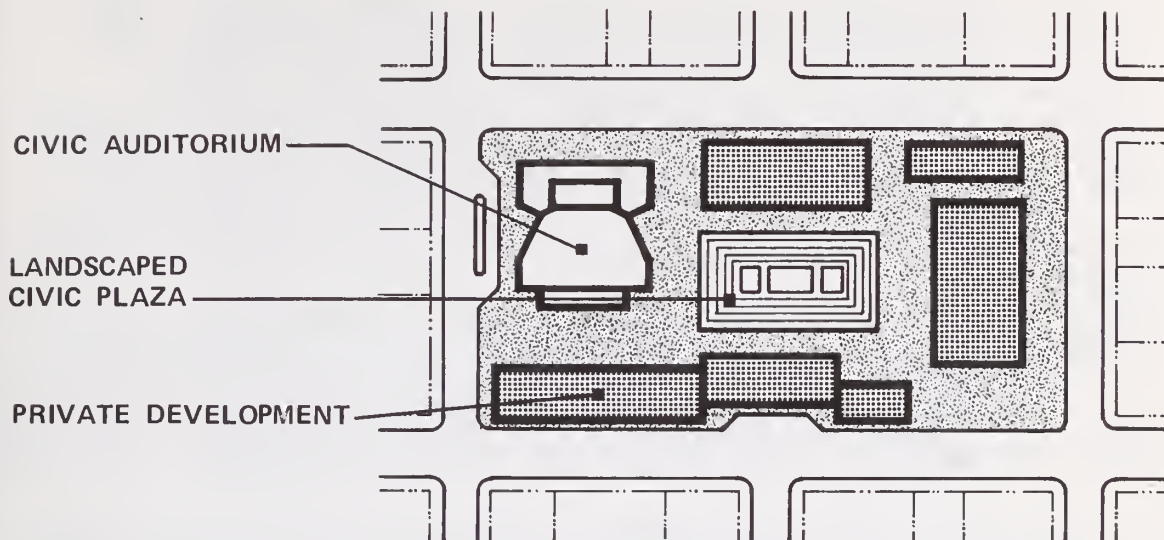
- Municipal parking garage in CBD project.
- Elementary school in residential project.
- Civic center in CBD project or project adjacent to CBD.
- Government office building in CBD project.

If an LPA plans to construct a public facility to serve as a catalyst for private redevelopment, it must consider three basic questions:

- Is this facility really intended to be a catalyst?
- If so, is the location appropriate?
- Is the facility complementary to the planned reuses in the project area?

If, after analyzing these questions carefully, the Agency finds that it can answer each question affirmatively, it should then make every effort to accelerate public facility development.

PUBLIC FACILITIES ACT AS AN INCENTIVE FOR PRIVATE INVESTMENT



16

2. Some cities have planned public facilities in such a way that private land disposition is totally dependent upon construction of these facilities. This occurs most frequently when private dispositions involve the sale or lease of air rights over a public facility. Often, for example, private structures are to be built over planned multi-level parking facilities. In some cases, such as the Louisville Riverfront Project, a major portion of the redevelopment plan was dependent on the construction of a parking facility. In these instances, it is essential that the parking facility be completed promptly so that private disposition can occur.

If the redevelopment plan for the area requires that a parking facility be constructed so that private development can proceed, the Agency should immediately take the necessary steps to create the parking. The most crucial of these steps are discussed below.

- 2A. It is important to have the financing method developed so that construction of a public parking facility can proceed rapidly. Some cities have included a parking structure in a redevelopment plan, only to find when the plan is approved that they have no means to finance it. An Agency should not wait to determine how to finance a parking facility. As soon as it becomes apparent that a parking structure should

be included in a renewal plan, the LPA should begin discussions with the local parking authority, the assessor, and other public agencies to develop an appropriate financing mechanism. Will a bond referendum be required? Are there available funds in the city's capital improvements budget? Who will operate the facility? Will revenues from the operation be sufficient to cover capital and operating costs? Answers to these questions should be obtained as soon as possible.

If there is no municipal parking authority in the city, the structure may have to be constructed privately. In this case, the Agency should work with the assessor and other city agencies to try to arrange a special assessment policy that would help to get the facility constructed and operating quickly.

- 2B. If, after developing a financing method for the parking structure, the LPA knows that funds are available, construction should proceed rapidly. Long delays may cause private developers to lose interest in the project, and will almost certainly result in increased construction costs.
- 2C. If construction funds are not immediately available, the LPA should try to determine whether funding is likely to be delayed for a considerable period of time. We have found that delays of over one year seriously threaten the viability of a project that is dependent on the construction of a public parking facility. If long delays are expected, private developers may abandon the project, and construction costs are almost certain to increase substantially. Therefore, when faced with the prospect of funding delays of one year or more, the Agency should consider changing the reuse plan to allow more rapid disposition. This is discussed in Tests 15 and 16 of this chapter under the basic alternative, "Change Reuse Designation."
- 3. One basic problem of the urban renewal program is that a great deal of time often elapses between the pre-planning and execution phases of a project. As all agencies have found, project planning and federal and local approval of a project take time -- sometimes as much as five or more years. When this happens, an LPA may find when execution begins that the original reuse plan is no longer appropriate. Some uses may not be needed; others not included in the original plan may make much more sense today than they did several years ago.

A good example of this is school construction. In the early sixties, many cities programmed expanded construction to meet projected increases in school age populations resulting from the large post-World War II baby boom. Today, however, the boom has subsided, and many classrooms are not filled. Furthermore, with population declines and outmigration, many cities have excess capacity in such other public facilities as police and fire stations. With this in mind, LPAs should review project plans that were prepared several years ago to see whether planned public facilities are still necessary. Local conditions may indicate that the facilities are still required. On the other hand, some facilities may no longer be needed. In such cases, the LPA should consider identifying alternative reuses and revising the urban renewal plan.

4. One of the difficulties in planning for smooth development of renewal projects is that priorities for public facility construction within and outside of renewal areas may not be synchronized with the LPA. Sometimes this is unavoidable. Long delays in federal approval of a project can make scheduling of public facilities construction difficult. However, some LPAs also contribute to the difficulties by not coordinating renewal planning with the city and other agencies that will be constructing facilities on renewal land. When communication between the LPA and other agencies is limited, conflicts are almost certain to arise.

The best way to minimize conflicts is to maintain good lines of communication with other agencies and with the city budget or finance director. The LPA should try to pinpoint public facility construction requirements as early as possible and then coordinate planning with the city's capital improvements program director so that funding can be reserved during the project planning phase. If delays are encountered, the LPA can then work with other city officials to reschedule construction as necessary. It is generally more difficult to try to alter established city priorities to meet renewal needs than to reprogram construction of facilities that have already been included in the city's capital improvements budget.

Some renewal projects may also require coordination of private institutional construction, such as expansion or new construction of hospital or university facilities. Here again, communication is essential

because the timing of construction will affect other dispositions in the project area. One of the most successful examples of this type of joint effort that we encountered is the South Cove project in Boston, where renewal planning has been well coordinated with the planning office of the Tufts-New England Medical Center. A cooperation agreement was signed that requires the Medical Center to comply with the objectives of the renewal plan, and requires the renewal agency to make available specified parcels as needed by the Medical Center to complete its expansion program. Both the Boston Redevelopment Authority and the Medical Center have been satisfied with their working relationship, and dispositions have been appropriately staged in an orderly fashion.

5. Some cities require that funds for public facility construction be approved by local referendum. In some instances, the referendum covers the city's entire capital improvements program; in other cases, voters must approve individual facilities. Because of rapidly increasing property tax rates in most cities, voters have become more reluctant to approve bond issues for new facilities. This can create serious funding problems and can cause long delays in urban renewal project development. When voter approval is required for a public facility, the Agency should apply two basic tests, as described below.
 - 5A. If a bond issue is required, the most important initial step is to have the issue placed on the ballot immediately. Although political considerations may dictate that timing of the bond referendum be delayed, it is important to obtain voter approval or disapproval as early as possible in order to determine the future direction of project planning.
 - 5B. If the bond issue has been passed but a long period of time has elapsed between voter approval and the start of facility construction, the LPA should determine whether the appropriated funds are still adequate to cover construction costs. Because building costs have risen rapidly in the past several years, it is likely that funding will be inadequate for project completion. If this is the case, the LPA has two alternatives: it can work with the city finance or budget director or other appropriate agencies to try to identify additional sources of funds, or it can urge that the scale of the project be reduced to fall within the limits of available

funding. Although the city finance director will be best able to identify possible sources of funds, some suggestions are revenue sharing funds, state grants, or capital facilities funds that are no longer required for other projects. If no additional funding is available, it may be possible to redesign or reduce the size of the facility to stay within funding limitations.

6. One of the primary incentives for public facilities construction in urban renewal projects is that the construction cost can serve as a local non-cash credit, thus effectively reducing the direct cash outlay that the city must contribute to the total cost of the project. HUD has established guidelines for the eligibility of public facilities as non-cash credits, and many cities have followed them carefully -- sometimes to the point of becoming over-extended. In many cases, public facility non-cash credits constitute the city's entire share of urban renewal project costs, and loss of those non-cash credits could mean that the city would be required to make cash contributions to project financing.

If an LPA is faced with this prospect, it becomes particularly important to facilitate construction of the public facilities. The Agency should be certain that funding for the facilities is available, and that good coordination exists among the appropriate agencies so that design and construction will proceed rapidly. Loss of a major non-cash credit, with the resulting possible cancellation of a project, would in most cases be undesirable for both the LPA and the city. Special efforts should therefore be made to assure that this does not happen.

7. It cannot be emphasized strongly enough that LPAs must establish good working relationships with other city agencies. No renewal project can be well executed without coordination among many city departments and agencies. Although disagreements are bound to occur, it is impossible to resolve important problems without open lines of communication.

When considering how and when to construct public facilities, the Agency should contact the relevant public agencies immediately. Coordination of activities should be established early in the planning of the project, so that construction can be scheduled and completed with a minimum of unnecessary disruption. If problems are anticipated, they should be

discussed before they occur so that alternative courses of action can be planned. The most difficult problems are those that take the LPA or other agencies totally by surprise, and these can often be avoided by strong coordination among city personnel.

- 7A. Ideally, coordination among agencies would mean that interagency disputes would never occur. This is of course unrealistic. There are always occasions when fundamental conflicts cannot be resolved easily between two agencies. Priorities may be very different; funding may be limited; and lack of communication in the past may make current disagreements difficult to overcome. In such cases, it would be helpful to have a formal procedure for mediation. The mayor or city council might designate an intermediary, somewhat like a "master" in legal disputes, to assemble information from both agencies about the disagreement and to act as an arbiter. If a solution cannot be mutually agreed upon within a specified time period, there should be a procedure for final resolution of the disagreement by a third party, preferably the mayor or council. This procedure could eliminate long delays caused by inaction on the part of a city agency, and could help to improve day-to-day functioning of the city government.
- 7B. One of the best ways to avoid potential problems with other public agencies involved in public facility construction is to coordinate the planning and design of the facility with them. In particular, the agency or department responsible for the construction of the facility should be involved in its planning and design. This is important for a number of reasons. First, it ensures that the design standards are in keeping with local practices and requirements. Second, it avoids costly delays for revisions after the facility is designed. Third, it improves inter-agency communication, a factor that can be crucial if the project encounters unanticipated problems during construction. Fourth, it smooths general working relationships between agencies, which can be helpful in expediting other projects.

If the LPA has not involved affected agencies in the planning and design of a public facility, it should review project plans in a joint session with them. This is not as satisfactory a procedure as including the agencies in actual facility planning and design; but if that was not done, a joint review session can

help to identify necessary revisions and reduce the likelihood of major difficulties when construction begins.

8. Renewal agencies sometimes overlook a potential reuse market if they do not attempt to attract a wide range of government facilities to urban renewal project areas. In most cities, government employment has grown substantially over the past decade, creating the need for office expansion. Furthermore, existing public office buildings may be outmoded because of age or inefficient use of space, and rehabilitation is always a costly prospect. This means that new government office facilities are often needed, and they should be actively sought for nonresidential renewal areas.

A prime rational example is Government Center in Boston. This project has had a major impact in spurring private investment in downtown Boston. It has brought new jobs to the city and has helped to keep the CBD viable. A related example of institutional facility development is the CBD project in Flint, Michigan, where construction of a satellite campus of the University of Michigan may help to revitalize a large part of the downtown area.

There is one important caveat about attracting government or related institutional facilities to renewal project areas. Government buildings are tax-exempt, and although they may spur other private investment in a project area, they do not produce a direct addition to the city's tax base. This can be an important consideration, especially when tax increment financing is used for project funding. If a project uses tax increment financing, it is generally infeasible to undertake a great deal of government facility construction in the project area; private investment should be encouraged instead.

9. With increasing voter reluctance to approve bond issues, many cities are unable to finance public facility construction. If this occurs, public construction of the facility may be impossible. However, this does not necessarily mean that the facility cannot be constructed at all. One way to overcome the failure of a bond issue is to offer sale-leaseback opportunities to private developers. The LPA should attempt to interest developers in constructing a facility and then leasing the completed building to the city or public agency. The developers would receive a reasonable return on investment through a

guaranteed income stream, plus depreciation of the property, and this could be an attractive private development opportunity. The city might also negotiate some form of tax abatement on the property, if this is permitted, and further enhance the attractiveness of the development.

Another way to generate developer interest in the sale-leaseback of a facility is to combine it with private development on an adjacent parcel. A combination city hall-office building development, for example, could be a viable alternative to public construction of the city hall and could accelerate private land disposition as well. An additional way to use public facility construction to spur private development in a renewal area is to offer a private developer the construction contract for a public building as a low-risk tradeoff for undertaking redevelopment of another renewal parcel. This can only be done when funds are available for the public construction. In this case, the public construction funds would be used as an incentive to enhance the profit potential for a developer undertaking a private development that has high risk but would benefit the city. An example would be to award a construction contract for a civic center to a developer of a retail complex in a renewal project.

- Modify Project on Public Facility Planning to Accommodate Later or Changed Construction

10. An LPA may sometimes be faced with the need to delay construction of a planned public facility because private dispositions have proceeded more slowly than anticipated. This is a problem that is not uncommon in capital improvements programming, particularly with respect to service facilities like schools and police or fire stations. If the population to be served by a new facility has not reached projected levels, it may be unnecessary or inefficient to attempt to begin operation of the public facility. In such cases, it is usually wise to modify the planned timing of the public facility construction until private development reaches the minimum level required for efficient operation. However, the LPA should also consider whether construction of the facility will help to accelerate disposition by enhancing the attractiveness of the area, in which case it would be appropriate to construct the facility as planned.

11. Construction of some planned public facilities may be dependent upon state or federal financing -- public housing is one example; others are state and federal office buildings. Like cities, these levels of government are subject to budget cuts and changing spending priorities, and appropriations for capital expenditures will sometimes be cancelled or delayed. When construction of a planned public facility is dependent on state or federal financing, it is important for the LPA to analyze the probability of funding being available on schedule. The LPA should contact the appropriate state or federal agency, the governor's office, or state or federal legislators to determine whether funding is at all questionable. If it is, the projected development schedule should be revised accordingly -- either to accelerate construction to make use of appropriated funds or to change the plan to substitute private reuse or a different type of public construction.
12. Although it is an unpleasant eventuality, LPAs are sometimes unable to market their land to private developers. If all marketing efforts have failed (see Chapters 6 through 10 for suggestions of marketing strategies and techniques for private reuses), public facilities might become the uses of "last resort" in a project area. Although this is one way to complete land disposition, it is not an ideal solution because public facilities do not add to a city's property tax base. On the other hand, close-out of a project may be expedited by using unmarketable parcels for public facilities. In one city RERC studied, the LPA decided to construct a city hall in a renewal project that was experiencing serious difficulties with land disposition. Although the location of the facility was not particularly appropriate, construction removed one parcel from the LPA's inventory. When an LPA determines that it cannot find interested developers for available parcels, and after all marketing efforts have failed, it should then contact appropriate agencies to determine future facility needs. If construction in the project area is possible, the reuse plan should be revised accordingly.
13. Timing of project improvements construction is a critical element in successful land disposition. Appropriately staged construction will have a major impact on other uses, including public facilities. Cities that have attempted to construct public facilities before the completion of project improvements have been faced with serious problems that can

and should have been avoided. For example, we found in one eastern city that a major facility was constructed before access roads to the site and necessary parking facilities were completed. This resulted in severe congestion, dangerous physical conditions, and harsh criticism of the renewal agency. If there are delays in the construction of project improvements, the development schedule for public facilities construction should be revised. The LPA should also take steps to expedite completion of project improvements, as discussed in more detail in Chapter 19.

14. The most difficult problems for an Agency to deal with are those that are really beyond its control. In one city we studied, a required environmental impact statement concluded that, because of high noise levels, a site was unsuitable for public low-income housing, despite the fact that it was adjacent to some of the city's most expensive residences. In another, racial imbalance in the city's schools has halted all new school construction until an acceptable strategy for achieving balance is developed. These kinds of problems can delay projects indefinitely.

If the LPA is faced with the prospect of long delays in the construction of public facilities because of such adverse factors, it may be wiser to cancel a commitment and revise the reuse plan than to wait for a resolution of the problem. If, however, it appears that the delay is temporary and that the problem will be corrected within a reasonable period of time, the LPA should revise the development schedule and continue to press for correction of the problem.

- Change Reuse Designation

15. Despite its belief that a renewal parcel is suited for construction of a specific public facility, an LPA may still be well advised to change the parcel's reuse designation when funding for the public facility is not available. Two basic indicators would suggest this to be an appropriate step: a) the agency responsible for construction of the facility has had repeated bond issue failures, and b) the public facility in question has been given a low priority position in the new construction scheduling of that agency. If both of these conditions apply in a particular case, it is highly unlikely that the public facility will be constructed. The LPA should not

attempt to pursue construction further but should change the designated reuse instead.

16. Local acceptance of urban renewal projects is an essential element in a city's redevelopment program. When a Project Area Committee or another citizen group strongly opposes the construction of a public facility, the LPA and other agencies of the city government are placed in a difficult political position. Construction can be effectively halted by lawsuits or public pressure against a facility, and this can be costly -- both financially and politically. If an LPA finds that opposition to the construction of a facility is strong, it is wise to abandon construction and change the reuse designation of the parcel. This will avoid costly delays and will help to minimize antagonisms among the community as a whole, the LPA, and the city government.

REHABILITATION MANAGEMENT

A. Statement of the Problem

In many predominantly rehabilitation projects, LPAs have had difficulty accomplishing the rehabilitation envisioned in the original plans. This, in turn, has often slowed disposition of vacant land within the project area. In many cases and especially in large NDPs, neighborhoods have declined further since initiation of the project and investor confidence has decreased instead of increased. In other cases, areas surrounding the project are so blighted that attempts to encourage rehabilitation within the project area are foiled. In some very large conventional and NDP projects, rehabilitation efforts have been scattered throughout the area and have not had the impact that concentrated rehabilitation, combined with project improvement construction, could have had.

The primary concern of this chapter is the relationship between rehabilitation management and disposition of vacant urban renewal land. In all of the problem cases cited above, land disposition is hampered by the fact that rehabilitation efforts have not been successful. There are many reasons for LPAs' difficulties in accomplishing their rehabilitation plans, including the following:

- Because rehabilitation standards in the renewal plan are too high, given the financial capabilities of area residents.

- Because there is insufficient market for rehabilitated structures.
- Because banks are reluctant to make home improvement loans in the area.
- Because no subsidy funds are available for rehabilitation.
- Because project improvements have not been sufficient to demonstrate the city's commitment to restoring investor confidence in the area.
- Because housing abandonment in the area has discouraged homeowners from investing in major repairs.
- Because the population of the area has dropped rapidly.
- Because community groups have opposed rehabilitation efforts in the area.
- Because the neighborhood has declined so much that more clearance is required.
- Because the project is surrounded by blight and is not attached to an established, viable area.

When an LPA faces one or several of the above problems, the strategy for completing the urban renewal project should be carefully re-evaluated. The remainder of this chapter provides the framework for such a re-evaluation.

B. Basic Strategy Alternatives

When rehabilitation within an urban renewal project is lagging and is delaying land disposition, an LPA has three basic action choices. These are:

- Accelerate Rehabilitation Activities -- This may involve increasing the availability of financing for rehabilitation, raising the level of building inspection in the area, and making greater efforts to encourage homeowners, businesses, private developers, and/or nonprofit sponsors to rehabilitate structures.
- Reduce Emphasis on Rehabilitation -- This alternative may require slowing down building inspection efforts, reducing the standards for building inspections, or increasing the amount of land to be acquired and cleared.

- Closeout Project -- This alternative should be seriously considered if planned rehabilitation has failed to materialize and seems unlikely to take place within the next three years.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 21 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of rehabilitation management read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Rehabilitation Management." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

PROBLEM: REHABILITATION MANAGEMENT

basic alternatives	tests	findings	specific actions
Accelerate Rehabilitation Activities	1. Have maximum efforts been made to finance rehabilitation?	Yes No	Apply other tests in this set. Make concerted effort to generate local financial support for rehabilitation in area.
	2. Are subsidy funds (from federal, state, local, or foundation sources) available to finance rehabilitation?	Yes No	Apply other tests in this set. Apply Test 5 and, if funding is "no," apply Tests 14 through 21.
	3. Is the rehabilitation plan current?	Yes No	Apply other tests in this set. Review project on a parcel-by-parcel basis to update clearance and rehabilitation designation.
	4. Would more spot clearance facilitate rehabilitation?	Yes No	Consider increasing clearance. Apply other tests in this set.
	5. Has "spontaneous" redevelopment taken place since the project was initiated?	Yes No	Encourage further private rehabilitation. Apply other tests in this set.
	6. Are rehabilitation and project improvements and public facilities construction being staged together for concentrated neighborhood improvement?	Yes No	Apply other tests in this set. Consider such staging to maximize renewal impact and increase investor confidence in surrounding area.
	7. Is concentrated rehabilitation being focused on the areas adjacent to the highest quality nodes of activity?	Yes No	Apply other tests in this set. Concentrate rehabilitation first on areas with the highest reuse potential.
	8. Has maximum effort been made to encourage non-profit sponsorship of rehabilitation?	Yes No	Apply other tests in this set. Attempt to attract and organize nonprofit sponsorship of rehabilitation.
	9. Has the LPA encouraged relocatees to acquire rehabilitation housing?	Yes No	Apply other tests in this set. Attempt to persuade relocatees from any public clearance projects to acquire units designated for rehabilitation.
	10. Has the LPA performed rehabilitation itself?	Yes No	Apply other tests in this set. If LPA has staff capabilities, consider performing rehabilitation for private resale.
	11. Has the LPA made every effort to encourage the local housing authority to rehabilitate units for public housing?	Yes No	Apply other tests in this set. Strongly encourage use of rehabilitation for public housing.
	12. Has the LPA attempted to encourage homeowners and other individuals to rehabilitate structures?	Yes No	Apply other tests in this set. Consider providing technical assistance in preparing rehabilitation plans, obtaining financing, obtaining bids, negotiating with contractors, and obtaining remodeling permits and inspections.
	13. Are provisions of the urban renewal plan or building/zoning codes restricting rehabilitation?	Yes No	Consider amending plans or attempting to obtain variances for units in renewal areas. Apply other tests in this set.

PROBLEM: REHABILITATION MANAGEMENT

basic alternatives	tests	findings	specific actions
Reduce Emphasis on Rehabilitation	14. Have the social and economic characteristics of the project area declined since initiation of the project?	Yes No	Consider de-emphasizing rehabilitation and reorienting the project for greater clearance. Also consider reducing the size of the project. Apply other tests in this set.
	15. Have areas surrounding the project area declined, thereby reducing the market appeal of properties in the project?	Yes No	Re-evaluate project to determine realistic potential and proceed accordingly. Apply other tests in this set.
	16. Given the level of available funds and the predominant character of the neighborhood, should rehabilitation standards be reduced?	Yes No	Consider reducing standards and limiting the number of units designated for rehabilitation. Apply other tests in this set.
	17. Is there a potential market for another reuse if the land were cleared?	Yes No	Make concerted effort to change project's orientation to take advantage of reuse potential. Apply tests in next set.
	18. Has rehabilitation been scheduled for more than three years without much activity having occurred?	Yes No	Consider closing out the project. Apply other tests in this set.
Closeout Project	19. Are legal actions that are unlikely to be resolved in the near future stalemating the project?	Yes No	Consider closing out the project. Apply other tests in this set.
	20. Is the Project Area Committee and/or citizens groups opposing elements of the project that make rehabilitation impossible?	Yes No	Consider closing out the project. Apply other tests in this set.
	21. Is there any realistic prospect of obtaining rehabilitation funding in the foreseeable future?	Yes No	Evaluate funding prospects carefully and review project plans critically. If all possible funding sources have been pursued aggressively and unsuccessfully, consider closing out the project.
Prepared by Real Estate Research Corporation and RTKL, Inc.			

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as subheadings to clarify the context of the discussion of the tests.

- Accelerate Rehabilitation Activities

1. Many rehabilitation projects are located in areas in which financial institutions have long been reluctant to make home or business improvement loans. If the area was badly deteriorated, this may have been prudent exercise of fiduciary responsibility. However, it may have been the result of redlining, where the financial institutions did not evaluate the risks of individual loan applications but simply chose not to lend in the whole area. Since most of the structural work that is done in rehabilitation neighborhoods is privately financed, it is crucial to the success of a project that funds be available for rehabilitation.

An LPA can do a great deal to spur private lending in an urban renewal area. One method is public relations: making detailed presentations to officials of financial institutions and to financial associations to explain the neighborhood preservation efforts that are being made, the project improvements that are being installed, and the renewed commitment of the city in the project area. In Boston's South End, private lending increased in the project area during the planning period -- even before the project went into execution.

Many LPAs have influential members of the local financial community on their boards. These members can apply direct pressure on their colleagues to increase lending in the project area; and they can also set an example through their own institutions. Some city governments have used their own bank deposits as a means of leverage in forcing banks and savings institutions to lend throughout the city. If it is found that a bank is "redlining," the city government refuses to deposit funds with that institution. LPAs can also work with financial institutions to establish revolving high-risk loan funds for "nonbankable" home improvement loans in urban renewal project areas.

2. Many homes in urban renewal project areas are occupied by families of low and moderate income that cannot afford to make structural improvements on

their own and cannot qualify for home improvement loans. Some form of subsidy for rehabilitation must be made available if such families are to continue to live in the area in homes that are brought up to code. If the LPA attempts to increase the pace of rehabilitation in the area without use of subsidy funds, the project's residents will be forced to find housing elsewhere or housing abandonment will increase.

Subsidy funds may be made available from federal, state, local, or foundation sources. Federal funds for rehabilitation have traditionally taken the form of direct grants to low-income families, or direct loans of up to \$15,000, with a 3 percent interest rate. Several states have established programs for direct loans for rehabilitation. For example, the State of Maryland amended its constitution to provide enabling legislation to sell bonds for direct loans. However, most of the nonfederal government involvement in rehabilitation financing has been at the municipal level.

A 1974 survey conducted by the U.S. Department of Housing and Urban Development identified 83 cities that had developed special rehabilitation financing programs designed to replace or supplement federal programs. Such local programs generally fall into one of five different categories:

- a. Use of Model Cities funds to subsidize interest rates of rehabilitation loans.
- b. Sale of local tax exempt bonds to provide funds for rehabilitation loans at below market interest rates.
- c. Direct borrowing by an LPA or city, with banks able to treat the borrowed money like tax exempt bonds.
- d. Use of foundation funds, frequently supported by matching local contributions from businesses or industries.
- e. Participation in the Federal Home Loan Bank program that provides local communities with up to \$150,000 for a rehabilitation fund on a matching share basis.

Revenue sharing funds also provide a potential source of funds to establish a loan pool for rehabilitation. The State of Utah made \$3 million of revenue sharing funds available to local housing authorities in order to finance grants to elderly homeowners for property improvements. Similarly, Colorado Springs used general revenue sharing funds to create a direct loan pool to subsidize housing rehabilitation.

An LPA should make every effort to gain priority for use of rehabilitation funds within urban project areas. If it appears that no subsidy funds will be available and rehabilitation is beyond the present financing capacity of area residents, a careful re-evaluation of the project(s) must be made. The LPA will probably have to reduce the planned scope of rehabilitation or closeout the project in its present form. In such a case, Tests 14 through 21 should be applied.

3. If the urban renewal project has been in execution for some time and rehabilitation has not been progressing as originally intended, the LPA should re-evaluate the plan. In some rapidly changing areas, plans that were appropriate when a project was conceived are out-of-date by the time execution begins. If a substantial number of structures have deteriorated further since the plan was drawn up, rehabilitation may no longer be economically feasible for many of them. If so, the proportion of clearance in the project area may have to be increased substantially.

Commercial areas scheduled for rehabilitation or redevelopment have been particularly vulnerable to changes in market conditions caused by neighborhood income reductions or population declines. Retail reuses that were viable at the outset of a project may no longer be feasible, and especially not at the rent levels required for new or rehabilitated structures. Any attempt to force rehabilitation of retail outlets in a declining market will cause the smaller businesses to close. Thus, project goals should be evaluated in light of current conditions. It may be that the LPA's sights should be lowered. We found that new retail uses can rarely be supported in low- and moderate-income residential areas, so an LPA should make every effort to retain existing establishments in such neighborhoods -- even if the structures are in less-than-ideal condition.

4. If rehabilitation efforts in an urban renewal project have been unsuccessful, the LPA should analyze

carefully the causes of investor disinterest to identify the actions that might feasibly be taken to restore confidence in the area. One tactic that should be considered is clearance of individual buildings that are badly deteriorated or that accommodate marginal operations that have a blighting influence on the neighborhood. If a few such buildings exist at scattered or concentrated locations in the project area, their removal might improve the likelihood of rehabilitation being undertaken.

Clearance of a few marginal apartment hotels in the Ghent area of central Norfolk was a major factor in restoring investor confidence in this area of architecturally distinctive houses. After spot clearance, middle-income families already in the area improved their residences, other middle-income households moved in, and housing values rose markedly. Ghent is now the most attractive inner-city residential area in Norfolk, and new housing for the elderly and middle-income high-rises are being constructed.

Spot clearance should be planned carefully so that the LPA will not end up with an unmarketable inventory of scattered sites. If many small, interior lots are acquired and cleared, they may subsequently be difficult to sell for development, even if rehabilitation within the project is quite successful. The problem of unsold scattered residential lots and nonresidential parcels are treated in Chapters 11 and 12.

5. In the past few years, more and more very low-income older neighborhoods in large central cities have begun to experience "spontaneous" redevelopment by young middle- and upper-income newcomers. These persons typically buy an old, relatively rundown two- or four-flat, row house, or other single-family dwelling and invest large sums to remodel and rehabilitate it. When a number of such newcomers to an area buy units clustered relatively close together within a short time span (say, three years), an entire block or larger area can experience a significant upgrading in average quality. Such redevelopment has advanced furthest in the Georgetown and Capitol Hill areas of Washington, D.C., Back Bay and South End in Boston, and the Lincoln Park area of Chicago. Similar movements are underway on a smaller scale in dozens of older neighborhoods in larger cities across the nation.

When "spontaneous" redevelopment occurs within an urban renewal area, investor confidence increases rapidly and there is often an enhanced private market demand for vacant residential and nonresidential land. However, the experience of the South End in Boston demonstrates that there can also be serious problems associated with this type of redevelopment for middle- and upper-income households. "Spontaneous" renewal necessarily means that the prior, low-income residents are displaced by the more affluent newcomers. When this occurs within a renewal area, however, the displacement becomes a quasi-public action and the LPA becomes accountable. In the northern part of the South End project, "spontaneous" redevelopment was well underway when the project was initiated, and conflicts quickly developed over which socioeconomic groups should be represented on the Project Area Committee and be predominant in setting project area goals. Although the resolution has been to provide new and rehabilitated housing for all income groups within the South End project, conflicts still occur over the disposition of vacant parcels and representatives of the low-income residents still object to the private redevelopment that is occurring within the area.

Although the South End is not a typical case, LPAs should be alert to the types of problems that can develop when upper-income newcomers are attempting to gain the benefits of rapid neighborhood improvement and poorer residents are being displaced to other areas. The more common case is that a small area within a larger project will appeal to "spontaneous" redevelopers, and encouragement of their efforts by the LPA can serve to enhance moderate- and middle-income investor confidence in the remainder of the project area.

6. Timely construction of project improvements and public facilities is crucial in rehabilitation projects because it demonstrates public commitment to the area and bolsters investor confidence. In areas where residents have the resources to rehabilitate their own units, the key catalyst is often construction of needed project improvements -- sewers, widened or paved streets, curbs and gutters, sidewalks, and street lights. Such public facilities as schools, police and fire stations, parks, etc. serve a similar purpose. Almost more important than their introduction in the project area is their prompt construction if they were announced. Residents of declining

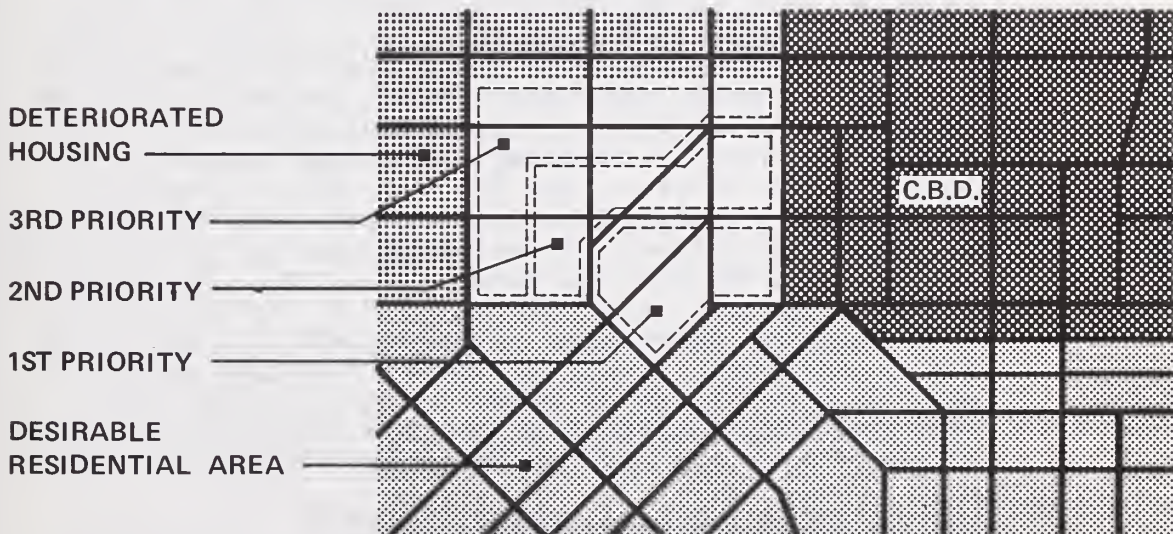
neighborhoods tend to be skeptical and pessimistic about the future of their area, and one of the key factors in completing a rehabilitation project successfully is to engender a positive outlook among residents. Such a change in attitude often spreads to the larger community real estate market.

In large renewal projects where all project improvements cannot be constructed simultaneously, an LPA is wise to concentrate initial disposition and rehabilitation efforts on the areas in which project improvements have been completed. Then marketing activity can follow improvements to the other sections of the project. More detailed discussions of the timing of public facilities and project improvements appear in Chapters 16 and 19.

7. In rehabilitation, as in most clearance and redevelopment of renewal land, LPAs should focus first upon the areas adjacent to the highest quality nodes of activity. The most obvious example is a project adjacent to a Central Business District, as illustrated in the following diagram.

17

PREFERRED STAGING OF REHABILITATION IN PROJECT
ADJACENT TO CBD & DESIRABLE RESIDENTIAL AREA



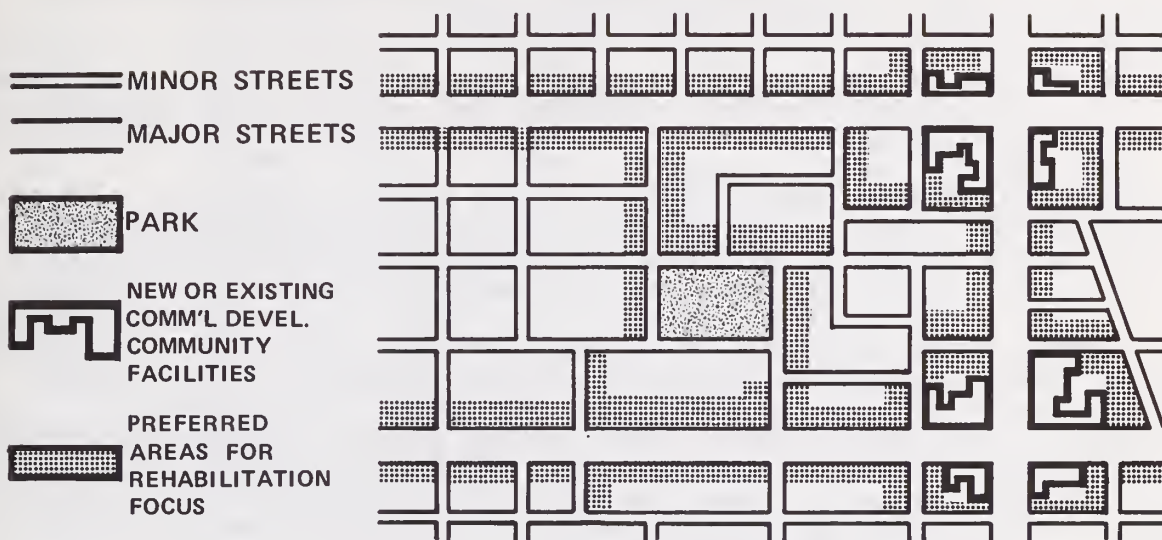
The preferred staging of rehabilitation, construction of project improvements and public facilities, and disposition of vacant land would be as shown in the diagram. The Agency would concentrate initially in that part of the hypothetical project labeled "1," where market demand would be strongest and there would be the greatest likelihood of attracting private investors. Because of this project's desirable location near the CBD, it might be possible to draw middle-income residents to Area 1. If the early project improvements were placed in Area 3, the Agency would be starting in isolation and could expect to experience difficulty in generating rehabilitation and marketing vacant land.

LPAs should avoid focusing initially upon the worst areas that are surrounded by deteriorated and blighting structures. New and rehabilitated housing in such areas can be marketed only to low-income families. Such concentration of poverty-level households causes perpetuation of social problems and generally leads to rapid deterioration of new and rehabilitated structures.

Private rehabilitation almost always proceeds outward from the most desirable nodes of activity within an area. Rehabilitation in the Capitol Hill area of Washington, D.C., for example, started in the vicinity of the Capitol itself and moved eastward. An LPA strategy is most likely to succeed if it encourages existing trends in the marketplace and does not try to reverse marked decline in an area of concentrated blight. We encouraged one rehabilitation project in the middle of a deteriorating inner-city area. By acting rapidly and creating widespread community support for the project, the LPA was able to generate a great deal of rehabilitation and new construction. However, the project created an island of good quality, lower-income housing in a sea of blight. Even before project closeout, the housing in the rehabilitated area began to show signs of deterioration, and there was no catalytic impact on the surrounding area. The massive expenditure of money in this project could have had more impact if a location on the edge of the blighted area had been selected for treatment first.

The illustration below shows a typical neighborhood slated for rehabilitation and identifies a possible strategy for initial treatment. If the LPA were to carry out some rehabilitation itself to serve as a catalyst for private or subsidized redevelopment, the

PRIORITY AREAS FOR CATALYTIC REHABILITATION



17

best places to focus would be the high activity centers -- along or adjacent to major streets, adjacent to established commercial facilities, adjacent to well-maintained parks, etc. In such high visibility areas, new residents feel safer and are not as aware of deteriorated structures within the neighborhood. Once an improved nucleus is established and if project improvements are installed, rehabilitation will usually proceed with a sort of "ripple" effect.

8. An LPA may wish to encourage nonprofit housing sponsors to develop or rehabilitate housing for low-income residents for a number of reasons:
 - To provide a relocation resource for displaced households.
 - To rehabilitate units in which private developers are not interested.
 - To develop community participation within the rehabilitation process.
 - To add to the stock of good quality housing for low- and moderate-income households.

- To provide job training for area residents.
- To generate greater resident commitment to redevelopment of the area.

In some areas, the only way that an LPA can meet these objectives is to promote the activities of nonprofit sponsors.

There are pitfalls in this approach, however. Traditionally, nonprofit sponsors have been inadequately prepared to manage housing once it has been built. Although there are certainly exceptions to this generalization, we have found that housing rehabilitated by nonprofit sponsors over the last 10 years has frequently experienced serious financial difficulties and, in some cases, foreclosure. The nonprofit sponsors often have not had the housing experience or the financial resources to provide for adequate management. The problems have frequently been exacerbated by the failure of FHA to allow for sufficient rent increases or by local rent control laws. In addition, there may be political complexities among competing community groups for development of particular parcels in projects represented by strong Project Area Committees.

Although nonprofit sponsors have had greater difficulties in property rehabilitation than for-profit sponsors, the experience is by no means uniform. In some cases, LPA support of nonprofit sponsors has led to successful redevelopment and has served the secondary purpose of gaining the cooperation of area residents in working toward other renewal goals.

9. The terms of the Uniform Relocation Assistance Act provide up to \$15,000 to homeowners displaced by governmental action -- clearance for urban renewal, highways, and public facilities construction. An LPA can encourage such displaced households to purchase homes in need of rehabilitation and use their location payments to rehabilitate the structures. Or the LPA can perform "turnkey" rehabilitation by completing the structural improvements and then selling the rehabilitated units to relocatees. If the buyer is identified in advance, he or she can participate in the redesign of the unit and can then buy a customized home. In several small midwestern cities, we found that LPAs aggressively and successfully combined relocation and rehabilitation efforts

within and among urban renewal projects -- in both single-family and multi-family areas.

10. An LPA may wish to perform some rehabilitation itself, borrowing directly from banks or using renewal project or Community Development Block Grant funds in order to rehabilitate structures. By so doing, an LPA can avoid the problems that private redevelopers have in obtaining financing, shortcut the red tape of subsidy programs, perform rehabilitation up to the desired standard, create a catalytic effect for private rehabilitation within the project, and retain certain features of historical interest that might be jeopardized under private rehabilitation.

The risks of direct rehabilitation should be carefully evaluated by an LPA considering this course of action. We found in many cities that the LPA rehabilitation staff severely underestimated the costs of effective rehabilitation. An LPA should proceed only if there are experienced local contractors available who have rehabilitated the same types of structures as are being considered and have developed the necessary financing mechanisms to complete the rehabilitation once it has been started.

In San Francisco, the LPA purchased and rehabilitated houses in the Western Addition project. Initially, private developers were not interested in the area because the neighborhood had deteriorated. However, the construction of project improvements and the LPA's clear commitment to the area generated enough demand so that the rehabilitated units were sold at a profit. Then private redevelopers entered the area. This procedure works best when the housing market is tight and when there are older, deteriorated homes of historical or architectural value.

11. Another mechanism for bringing about rehabilitation of selected structures in urban renewal project areas is to encourage the local housing authority to rehabilitate units for public housing. The housing authority can proceed in four ways: it can purchase the structures directly and rehabilitate them; it can sponsor the rehabilitation of a structure through one of the FHA programs and have the rehabilitation supervised by the local HUD office with the financing covered by an Annual Contributions Contract signed with the Housing Assistance Office; it can contract for rehabilitation on a turnkey basis; or it can agree to lease rehabilitated units that are owned by a private developer. The leased housing approach has particularly

strong appeal for an LPA because it can result in a limited amount of housing that can be used for displaced lower income households; it can provide economic integration of housing in the area; and it can alleviate community criticism that the LPA is insensitive to the needs of poorer residents. The leased housing program has been promoted for use in buildings rehabilitated for middle- and high-income tenants in some big-city renewal areas.

12. An LPA can do a variety of things to help local homeowners who are interested in rehabilitating their units. LPA staff can provide technical assistance in preparing rehabilitation plans, identifying lending sources, filling out forms to obtain financing, locating contractors, explaining the procedure for getting bids, negotiating with contractors, obtaining building permits, and arranging for inspections. It is unlikely that any individual LPA would be adequately staffed to assist many homeowners in all of these ways, but it is important to adopt a posture of willingness to help residents -- and to carry it through with substantive assistance. This type of direct counseling and aid to residents can expedite rehabilitation in a project area and end up being in the best interest of the city and the LPA.
13. In some cases, provisions in the urban renewal plan or in the city zoning and building codes may be restricting rehabilitation. The major code restriction that is an impediment usually relates to fire regulations. For older structures that were built before the existing code, violations generally are not cited unless substantial rehabilitation is performed. Then the fire department may insist on new standards for doors, fire walls, fire escapes, and stairway widths. Rigid enforcement of such standards may make rehabilitation economically infeasible, in which case the LPA should make every effort to obtain variances.

Most building departments are fairly flexible concerning rehabilitation, and some cities have made special provisions in their building codes with respect to wiring and plumbing for structures in rehabilitation areas. Cincinnati, in particular, has altered its building code to facilitate rehabilitation. If the renewal plan itself has established restrictive standards that are limiting rehabilitation, the LPA should consider changing the plan or interpreting it more flexibly.

● Reduce Emphasis on Rehabilitation

14. Many of the predominantly rehabilitation projects that we visited have experienced considerable decline since they were initiated. In some cases, delays in funding and planning the project meant that valuable time was lost and neighborhoods moved beyond the point where rehabilitation was feasible. In other cases, exogenous city dynamics were so strong and pervasive that the LPA was not able to turn the neighborhood around and restore investor confidence. Often, structures that were in structurally sound but deteriorating condition when the project was planned have continued to deteriorate or become abandoned and are no longer economically feasible to rehabilitate. In these instances, the population of the area has usually declined sharply, resulting in discontinuation of neighborhood services, which further promotes decline. The people who remain are generally the poorest, which means that social as well as physical problems are concentrated in the area.

Given such project dynamics and in the absence of massive subsidized funds for rehabilitation, any attempt to increase or accelerate the pace of rehabilitation activities in a neighborhood will result in increased housing abandonment, hardship to area residents, and failure to achieve the goals of the project. In this type of situation, an LPA has to change its strategy for dealing with an urban renewal area. It can either reduce the standards and quantity of rehabilitation, reduce the size of the project to focus on the best or worst area, or increase the amount of clearance that is planned. The choice among these alternatives will probably depend as much upon the availability of funds as upon the characteristics of the project area.

15. In some cases, initial rehabilitation of properties within project boundaries proceeded in satisfactory fashion, but the surrounding areas continued to deteriorate badly, thereby creating later difficulties in the disposition of land within the project. Given such continued deterioration of adjacent areas and reduced demand for properties within the urban renewal project, the LPA should consider changing its strategy for the project. Its original goals and objectives may now be unrealistic and it may simply be forcing the rehabilitation of structures that will subsequently decline rapidly because of the blight that surrounds the project area.

16. An individual renewal neighborhood may be holding its own with regard to continued deterioration, but the established rehabilitation goals may not be being met because they are too ambitious for the financial capabilities of local residents and businesses and subsidy funds are not available. The LPA may wish to adopt a "wait and see" attitude regarding future funding, or it may want to adopt a more modest standard of rehabilitation and encourage residents to undertake more limited paint up and fix up of their homes. In an area in which most of the homes can be brought up to code with a relatively small investment (under \$2,500), an LPA is well advised to promote minor repairs and pay less attention to those structures for which rehabilitation will cost in excess of \$10,000 per unit. Under this approach, the primary focus would be on preserving the existing stock, rather than devoting limited funds to substantial rehabilitation of badly deteriorated units. Minor paint up and fix up does not solve basic neighborhood or structural problems, however. Although it may serve to arrest further decline, it will not in and of itself restore investor confidence.

Rehabilitation standards may have to be changed in commercial and industrial areas, as well as in residential neighborhoods. In one midwestern city we studied, rehabilitation of industrial buildings was stalled initially because the LPA's standards were very high; when the standards were lowered, rehabilitation proceeded steadily. It is important that LPAs have realistic goals for rehabilitation in nonresidential areas because it is easy to place too heavy burdens on business establishments and force them to seek other locations. The development standards imposed in renewal areas should not exceed those of competitive commercial and industrial areas or desirable firms will be driven away. Although LPAs should not condone the tendency of some firms to ignore the external appearance of their buildings, many small businesses are reluctant to place their limited profits in landscaping or appearance.

17. If a rehabilitation project has continued to decline under its designated reuse, the LPA should consider and evaluate all other possible reuses for the land if it were cleared. In a Flint, Michigan renewal project, a large area was cleared for multifamily housing but could not successfully be marketed for development. The University of Michigan became interested in the site and, with the aid of \$1 million

donation from a local foundation, the LPA was able to dispose of the land to the university. This served to firm up the market for the remaining land inventory that was dependent upon the general market for housing.

- Closeout Project

18. If a rehabilitation project has been in execution for more than three years without much activity having taken place, the LPA should carefully re-evaluate the reasons for lack of interest in the goals of the project. Perhaps the project was conceived inappropriately. Perhaps the plan is no longer viable because of changes in the socioeconomic characteristics of the neighborhood. After its re-evaluation, the LPA may conclude that its limited funds can be more productively spent in other ways. If this is the case, consideration should be given to closing out the project.
19. Court cases and legal actions have abruptly blocked the activities of LPAs in some urban renewal neighborhoods. The lawsuits may have been initiated by citizens groups attempting to maintain historical buildings or to promote the development of economically integrated housing. Of they may relate to environmental issues or to local moratoria on school or public housing construction. Whatever the cause, if such legal actions are not likely to be resolved in the foreseeable future, the LPA should consider closing the project.
20. Some citizens groups have actively opposed the rehabilitation process, particularly in cases where rehabilitation of structures will result in eviction of low-income tenants for eventual occupancy by higher income residents. This problem is not common because it only occurs in areas where higher income households are actively competing with lower income residents for housing. In such situations, the problem is two-fold: first, there are insufficient funds to assure that the desired standard of rehabilitation can be attained for a majority of existing residents; and second, the market appeal of the area is causing land values to rise to such an extent that lower income residents can no longer afford to live there.

This may create a no-win situation for an LPA. The dynamics of the area are such that private investment is likely to take place regardless of the activities of the LPA, which means that upgrading of the

neighborhood will have occurred and one of the major goals of the project will have been achieved. If the LPA accelerates the rehabilitation process, it will only speed up displacement of the lower income residents. If it slows down rehabilitation, it will come under fire for delays. In such a case, an early closeout of the project may be a satisfactory solution that will allow future rehabilitation to take its own course.

21. If it is determined that the major reason for an LPA's inability to meet rehabilitation goals is failure to obtain rehabilitation funding, then future prospects for financing should be carefully evaluated. If there are realistic prospects of obtaining funds, then project plans should be reviewed in light of the amount of money that will be available for specific income groups. If all possible funding sources for rehabilitation have been pursued aggressively and unsuccessfully, the LPA may be well advised to seek early closeout of the project.

18

INSUFFICIENT DISPOSITION STAFF CAPABILITIES

A. Statement of the Problem

A key problem that frequently appears to parallel a slowness in the land disposition process is limited expertise of LPA staff members that are involved in the marketing of urban renewal land. Lack of staff expertise in the knowledge and skills necessary for selling land is a weakness found within many LPAs across the country. This problem is most common in cities with small LPA staffs that must be involved in all facets of execution activities in the renewal process and cannot concentrate their efforts on land disposition.

The capabilities and types of expertise needed include more than just the ability to "sell land." Disposition involves all execution activities from land acquisition to development monitoring. The types of expertise needed include but are not limited to:

- Knowledge of real estate sales and brokerage.
- Understanding of real estate appraisal techniques and methods.
- Skills in negotiating the purchase and sale of property.
- Knowledge of real estate financing.
- Ability to "package" real estate developments.

- Understanding of the economics of real estate development, and especially the profit motive of developers.
- Promotional capabilities -- advertising, preparation of brochures, etc.

Although it is almost impossible to find one individual with all these characteristics, an LPA can and should rely upon the particular skills of several complementary persons in organizing a competent disposition staff and good disposition program.

B. Basic Strategy Alternatives

There are two basic ways of correcting the problem of insufficient disposition staff capabilities, as described below:

- Expand LPA Staff Capabilities -- This involves an evaluation of the LPA's disposition program to date and consideration of the alternative methods available to obtain additional qualified real estate personnel to work on land disposition. These methods include adjusting staff positions in the Agency, hiring new personnel, borrowing appropriate person(s) on a full-time but short-term basis from another local agency(s), or obtaining personnel on "loan" from local banks or other local business firms.
- Expand LPA's Reliance Upon Outside Assistance -- Under this alternative, consideration would be given to utilizing the needed specialized expertise of outside personnel from a variety of sources: other local governmental agencies; the LPA board; retired business leaders who might work on a fee or honorary basis; leading bankers, brokers, and civic leaders who could be solicited for help on a voluntary basis; and reputable consultants with whom an on-going relationship could be established. These types of people would be used to guide and assist the LPA in selling land and monitoring development activities.

Tests to determine which of these two alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 12 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of insufficient disposition staff capabilities read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options

PROBLEM: INSUFFICIENT DISPOSITION STAFF CAPABILITIES

basic alternatives	tests	findings	specific actions
Expand LPA Staff Capabilities	1. Is lack of staff capability delaying land disposition as indicated by any of the following: 1A. Has the time period between contracting and deeding exceeded one year on more than two parcels? 1B. Has the LPA's rate of land disposition been less than 7.5% per year for residential projects or 7.8% per year for nonresidential projects?	Yes No Yes No	Re-evaluate disposition staff capabilities if delays have not been caused by external factors beyond the developers' control (i.e., rising interest rates, housing moratorium, law suit). Apply Test 1B. Scrutinize staff capabilities because disposition is below national norms. Consider all alternatives in this decision tree. Apply Test 1C.
	1C. Have any projects been in execution for more than two years without any land disposition?	Yes No	Carefully evaluate LPA's disposition staff capabilities. Apply other tests in this set.
	2. Is the LPA director in charge of land disposition?	Yes No	Evaluate demands on his or her time and determine ways of supplementing time deficiencies by applying subsequent tests in this set. Apply other tests in this set.
	3. Does the LPA have a seasoned disposition officer with extensive real estate experience?	Yes No	Maximize disposition officer's capabilities by providing support staff and technical assistance whenever needed. The LPA director's participation with the disposition officer should be intensive and responsive. Consider hiring such a person or otherwise compensating for the lack of disposition capabilities. Apply other tests in this set.
	4. Do any of the following constraints limit the LPA's ability to expand its disposition staff: 4A. Is the administrative budget too small to make additional hiring feasible?	Yes No	Apply other tests in this set and consider Tests 7 through 12. Apply Test 4B.
	4B. Can any present staff positions be eliminated to provide funds to hire disposition staff?	Yes No	Consider such an action, reflecting overall LPA needs and priorities. Apply other tests in this set.
	4C. Has the LPA requested supplementary administrative funding from the city?	Yes No	Apply other tests in this set. Attempt to obtain additional funds to expand staff capabilities.
	4D. Have salary levels or restrictions limited the LPA's ability to hire qualified staff?	Yes No	Re-evaluate compensation plan. Apply other tests in this set.
	4E. Are there hiring restrictions that limit the LPA's choice of qualified applicants (such as residency requirements, inappropriate examinations, educational requirements that are too limited)?	Yes No	Attempt to change such restrictions or apply Tests 5 and 6. Apply other tests in this set.
	4F. Is there a freeze on hiring?	Yes No	Apply Tests 5 and 6. Apply other tests in this set.

PROBLEM: INSUFFICIENT DISPOSITION STAFF CAPABILITIES

basic alternatives	tests	findings	specific actions
	<p>5. Can the LPA borrow appropriate staff from other local agencies on a full-time but short-term basis?</p> <p>6. Can the LPA obtain qualified full-time personnel on loan from banks or other local private firms?</p>	<p>Yes No</p> <p>Yes No</p>	<p>Attempt to negotiate such personnel loans. Apply other tests in this set.</p> <p>Pursue this possibility to expand disposition staff capabilities. If this avenue has been thoroughly pursued, apply other tests.</p>
Expand LPA's Reliance Upon Outside Assistance	<p>7. Is the LPA making maximum use of specialized expertise of personnel in other local agencies?</p> <p>8. Do any members of the LPA board have real estate knowledge and experience that could be drawn upon more extensively?</p> <p>9. Is the LPA making use of key retired people in the community in more than an honorary capacity?</p> <p>10. Does the LPA obtain technical assistance on a voluntary basis from leading bankers, brokers, and other persons with specialized real estate capabilities?</p> <p>11. Is the LPA drawing upon civic leaders and businessmen to participate in negotiations with potential redevelopers?</p> <p>12. Has the LPA established on-going relationships with reputable consultants?</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p>	<p>Maximize such use of other staff and apply other tests in this set. Attempt to identify and obtain assistance from staff with appropriate real estate knowledge and experience (e.g., city attorney, assessor, housing authority, public works, building department).</p> <p>Attempt to obtain greater time commitments from such board members. Apply other tests in this set.</p> <p>Continue making use of such volunteer assistance and expand it if possible. Identify and utilize retired persons with extensive real estate and negotiating knowledge and expertise.</p> <p>Continue to obtain such technical assistance. Identify appropriate persons and attempt to arrange for their voluntary assistance.</p> <p>Continue this practice. Attempt to involve civic and business leaders in solicitations and negotiations with potential redevelopers.</p> <p>Maintain such relationships. Consider established consultants for on-going assistance in feasibility analysis, planning changes, developer negotiations, preparation of advertisements and other promotional material, disposition strategy planning and development packaging.</p>

are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Insufficient Disposition Staff Capabilities." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the two alternatives are included as sub-headings to clarify the context of the discussion of the tests.

● Expand LPA Staff Capabilities

1. It is important for the LPA to continue to monitor land disposition activities and the rate of land disposition for projects in execution, both to evaluate overall renewal performance and to evaluate the implications about the capabilities of the disposition staff. There are base points that can be used. For example, if a project is in execution for more than two years with no land disposition or only a limited amount of activity or if the time period between contracting and deeding of land exceeds one year on more than two parcels, there is cause for concern. (An extenuating circumstance occurs if the delay has been caused by external factors beyond the control of the LPA and/or developers, such as high interest rates, the moratorium on housing, a diminishing reuse market, or law suits.

Delays caused by the timing of project improvements -- Chapter 19 -- or public facilities -- Chapter 16 -- may or may not be beyond the control of the Agency.) Problems in extreme slowness of disposition are frequently directly related to the capabilities of the staff. If this is the case, the LPA should scrutinize its staff.

- 1A. One critical measure of an LPA's land disposition staff capabilities lies in the period of time that elapses between land contracting and deeding. We have normally found that when this period exceeds more than one year -- and outside factors beyond the Agency's control are not responsible -- there is an indication of staff disposition limitations. In part, this may stem from having too small a staff attempting to handle too many projects or areas of responsibility. In part, it may reflect insufficient capabilities on the part of existing staff.

Once land has been contracted -- but not deeded -- the LPA should remain in constant touch with the potential developer, working with him to iron out details or problems. Chapter 15 points out many of the specific factors that should be considered in evaluating possible nonperformance by developers.

- 1B. If a project's rate of land disposition has been less than 7.5 percent per year in residential projects, or 7.8 percent per year in nonresidential projects, it has fallen behind national norms for renewal projects. There may be many rational and appropriate reasons for such delays (including unusually large project size, a particularly complex project, legal or environmental difficulties, etc.) over which control cannot be exerted. Therefore, these figures, which have been established through an analysis of more than 70 projects in 22 cities, are intended primarily to facilitate comparative analysis. These figures are not meant to suggest that a particular project is necessarily in trouble if land disposition has been slower than the above rates. It should suggest, however, a need to re-evaluate the project, particularly from the standpoint of land disposition capabilities of the LPA's staff.
- 1C. If a project has been in execution for two years or more without any land disposition having occurred, the project is, again, behind national norms. Although the reasons for this may be fully justified, evaluation of staff disposition capabilities is warranted.

2. In some instances, we have found that the LPA director was directly in charge of land disposition activities and performed this function along with administration and the overall responsibility of monitoring the community's renewal program. Usually, such directors did not have enough time available to administer all the duties efficiently. When this occurs, ways must be found to supplement his or her time to allow for adequate administering of all duties. This is particularly true in smaller LPAs where the renewal director most often also functions as the land disposition officer. Other tests in this set suggest ways of increasing staff capability.
3. Although it is sometimes impossible to hire an individual with extensive real estate experience to head-up an LPA's disposition activities, efforts should be made to maximize the disposition officer's capabilities. Providing support staff and technical assistance wherever needed is important. In a small agency, this assistance could even be a part-time person; in a large agency, several people may be required. Because the LPA director usually has more extensive contacts and more authority in the community, it is critically important that those attributes be marshalled to support the disposition officer's efforts.
- 4A. In many cases, the LPA cannot expand its staff because its administrative budget is too small. If this is the case, other alternatives should be considered.
- 4B. Possibly other staff positions, such as relocation or engineering specialists, are not needed any longer and these personnel could either be replaced or be transferred to assist in disposition activities. We have found several examples of LPAs with larger relocation staffs than are presently needed. If this activity is not expected to be as significant in the future, staff substitutions should be considered.
- 4C. If staff reorganization cannot be accomplished or will not meet disposition staff needs, the LPA should consider making a plea to the city council, to get supplemental funding. Although the demands for limited local funds are great, a well-documented and supported case can often be made for the overall cost savings that can result from a larger disposition staff and speedier disposition. Also, time saved by more rapid land disposition may result in reduced interest charges and administrative costs for the renewal land and may increase the city tax base substantially.

- 4D. Real estate development tends to be a challenging and demanding occupation, commanding a correspondingly high salary. A seasoned disposition officer must have the same kinds of qualities that would make him a successful developer. In many of the cities RERC studied, salaries were clearly inadequate to attract and retain the kinds of persons needed. The old truism of getting what you pay for is nowhere truer than with respect to land disposition staff.
- 4E. If salary is not a problem, other restrictions may be. For example, restrictions on educational and residency requirements may be too strict, if not inappropriate. These should be adjusted if necessary to obtain appropriate, experienced personnel.
- 4F. If there is a freeze on all hiring, Tests 4B and 4C should be reconsidered and Tests 5 and 6 should be applied.
5. The idea of borrowing staff from other local agencies generally applies to LPAs in middle and larger sized cities where the other agencies are more likely to have staff with needed capabilities. This approach generally does not apply to cities under 100,000 population. It would be wise to check the staff with other agencies, in any case, to see if qualified persons could be borrowed on a short-term basis.
6. Another alternative is to borrow qualified staff from the private sector. In St. Louis, Missouri, for example, the city borrowed a staff member from the local utility company to head-up their newly formed business and development commission. The utility company loaned this person at no cost to the city for a full year. In Baltimore, corporations contribute staff to work full-time in organizing and running the city's annual fair. There are many more examples where the private sector has provided qualified staff to city agencies. This alternative is worth pursuing aggressively.

● Expand LPA's Reliance Upon Outside Assistance

7. This test is somewhat related to Test 6 above. In this case, though, the LPA would not borrow full-time staff but would identify city/county staff with appropriate real estate experience and knowledge and would obtain assistance from them. Some of those to consider are the assessor, city attorney, housing authority staff, building and public works staff, etc. For example, in University City, a community with a population of 50,000, housing inspections are performed by the public

works department and then used by the LPA. The public works staff is involved in the city's code enforcement program and also inspects properties slated for rehabilitation under the renewal program.

8. In most cases, the LPA's board contains bankers, realtors, or others with a knowledge of real estate and the dynamics of the city. These people are often strongly motivated by civic pride and a desire to achieve tangible and lasting results. The LPA should consider requesting either full or part-time contributions of services from these people or from the firms they represent.
9. Another avenue that should be explored to obtain qualified staff assistance is use of key retired people in the community. This has proven to be productive in many cities. In one major east coast city, the retired president of a major department store was recruited as the full-time director of the downtown urban renewal program. In his new capacity, he brought to bear his nearly 40 years of retailing experience, combined with a strong network of ties to that city's most respected leaders. The subsequent success of the renewal effort was in large part a measure of his contribution.
10. Consideration should be given to obtaining technical assistance from the community's leading banks, real estate brokers, real estate attorneys, and others that have knowledge of real estate. Several LPAs have obtained help on a voluntary basis from real estate people in the local banks. We strongly recommend that possibilities for acquiring this type of assistance be pursued.
11. If the LPA does not draw upon civic and business leaders of the community to assist in negotiations with potential developers of urban renewal land, it should adopt this practice. When making important presentations to a redeveloper, consideration should be given to involving the mayor, the Chamber of Commerce president, or other local leaders. Also, the cooperation of city staff in other agencies should be solicited to limit the red tape involved in issuing building permits, performing inspections, etc. The potential developer should be convinced that he is wanted and that the LPA and the city will do everything possible to speed up his development.
12. It is important that the LPA establish an on-going relationship with a reputable consultant(s) that the Agency can work well with. It is not recommended that the

LPA use numerous consultants. In instances where several consultants were used, we often found that the necessary rapport had not built up between the LPA and the consultants. There are many qualified consultants across the country that an LPA can use to provide technical assistance in disposition. Such consultants can provide continuing services to the LPA as the renewal program progresses and can be strongly involved in the community's overall renewal strategy.

Again, if the Agency staff does not have confidence in a consultant, it is important to locate a consultant that the staff can trust and who understands the LPA's specific problems and strives to develop appropriate solutions. This can best be achieved when the consultant is involved in the renewal program over time and is not just brought in on an "as needed" basis. In one major midwestern city, the LPA has established long-term relationships with a major consulting firm, whom it normally involves in all major land disposition related areas. Other agencies routinely involve economic consultants in crucial negotiating sessions with prospective developers.

19

TIMING OF PROJECT IMPROVEMENT CONSTRUCTION

A. Statement of the Problem

Practically every LPA has experienced delays connected with installation of project improvements (especially highway construction and realignment but also street widening and paving; installation of curbs, gutters, and sidewalks; utility installation; storm and sanitary sewer construction; and landscaping and provision of street furniture and lighting). In virtually all of the 22 cities studied by RERC and RTKL, delays occurred in land disposition because construction of planned roads (especially state and federal highways) was stalled or cancelled. This often meant that sites were not ready for disposition; marketability of reuse parcels was reduced; other secondary project improvements could not be started on time; or newly completed buildings could not be marketed effectively.

To avoid delays of these types, Agencies have to consider carefully the advantages and disadvantages of constructing project improvements at the outset of execution, as opposed to waiting until design and construction can be coordinated with developers' plans. This problem is more difficult to resolve in clearance projects than in areas where the primary renewal mode is rehabilitation. In the latter case, project improvements are unlikely to be strongly linked to major changes in parcelization and are more likely to follow established alignments. In rehabilitation projects, the timing of project improvement construction is more specifically related to aesthetic

effects that might influence marketing efforts. Investor confidence often increases when there is tangible evidence of public commitment of funds to a neighborhood, and this tends to accelerate rehabilitation and disposition of cleared sites.

B. Basic Strategy Alternatives

In planning the construction of project improvements, LPAs have two basic strategy alternatives, as described below:

- Construct Project Improvements Prior to Land Disposition -- This means either that construction on all project improvements is started at the beginning of project execution, or that at least the major planned improvements are undertaken at the beginning.
- Construct Project Improvements Simultaneously with Development -- Under this alternative, project improvements connected with large parcels in particular would be constructed after the parcels were deeded and the redevelopment plans were firm.

Tests to determine which of these two alternatives would offer the most appropriate means of dealing with an individual agency's problem are set forth in the decision tree on the following page. Each of the 11 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of timing of project improvement construction read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

PROBLEM: TIMING OF PROJECT IMPROVEMENT CONSTRUCTION

basic alternatives	tests	findings	specific actions
Construct Project Improvements Prior to Land Disposition	1. Is the project small enough so that all improvements could feasibly be made simultaneously? 1A. Is the reuse market for the project clear, strong, and unlikely to be changed? 1B. Are there any reuses for which specialized improvements would be required? 1C. Are there large disposition parcels that are likely to be subdivided for development?	Yes No Yes No Yes No	Consider constructing all improvements, but apply Tests 1A, 1B, and 1C. Apply other tests in this set. Apply Tests 1B and 1C. Apply other tests in this set. Postpone site improvements until those reuse parcels are contracted and decided. Apply Test 1C.
	2. Are there major improvements that could feasibly be constructed separately?	Yes No	Postpone site improvements until those parcels are contracted and decided. Apply other tests in this set.
	3. Because of one or more of the following conditions, will effectiveness of initial marketing be dependent upon construction of minor improvements: 3A. The reuse market(s) is relatively weak?	Yes No	Consider constructing only major improvements immediately and apply Test 3. Apply other tests in this set.
	3B. The project is predominantly planned for rehabilitation, and present improvements are insufficient or a blighting influence?	Yes No	Construct minor improvements immediately. Consider Test 3B.
	3C. The project is under NDP and future funding is uncertain? 3D. Redevelopment cannot proceed without improvements?	Yes No Yes No	Construct minor improvements immediately. Consider Test 3C. Construct minor improvements immediately. Consider Test 3D.
	4. Is there a possibility that the LPA's leverage over agencies responsible for construction will not be adequate to overcome delays?	Yes No	Construct minor improvements immediately. Apply other tests in this set.
	5. Is it possible that funds allocated for improvements would be lost if construction were delayed?	Yes No	Consider beginning construction immediately. Apply other tests in this set.
	6. Are any of the planned improvements complex and therefore in need of long lead times for design or construction (e.g., bridges, state highways, a beltway for inner loop)?	Yes No	Construct improvements immediately. Apply other tests in this set.
	7. Are any of the planned street patterns irregular or unique to the overall physical design of the project?	Yes No	Begin such improvements immediately. Apply other tests in this set.
			Consider deferring construction until adjacent parcels are decided. Apply other tests in this set.

PROBLEM: TIMING OF PROJECT IMPROVEMENT CONSTRUCTION

basic alternatives	tests	findings	specific actions
Construct Project Improvements Simultaneously with Development	<p>8. If necessary, could redevelopment proceed on an interim basis without improvements being constructed or completed?</p> <p>9. Would the probable timing of site development exceed or coincide with the realistic timing of project improvements?</p> <p>10. Would construction of improvements interfere with construction on the redevelopment sites?</p> <p>11. Would any of the planned project improvements be constructed by non-city agencies?</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p>	<p>Apply other tests in this set. Reconsider constructing improvements prior to development.</p> <p>Apply other tests in this set. Reconsider constructing improvements prior to development.</p> <p>Reconsider constructing improvements prior to development. Apply other tests in this set.</p> <p>Reconsider constructing improvements prior to development. Apply other tests in this set.</p>

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Timing of Project Improvement Construction." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the two alternatives are included as subheadings to clarify the context of the discussion of the tests.

● Undertake Project Improvements Prior to Land Disposition

1. When urban renewal areas are small enough for all project improvements to be constructed simultaneously, it may be to the LPA's advantage to undertake construction prior to land disposition. Although there are no precise guidelines for determining what the maximum size of a project area should be to fit this test, one example would be a residential project of less than 20 acres that does not require installation of such major public improvements as highways or sewer trunk lines. Frequently, an Agency can judge whether a small project is suitable for simultaneous construction of public improvements on the basis of the improvements that are planned. If the project improvements will be minor (that is, primarily needed to serve individual parcels and not dependent on the construction of major improvements elsewhere in the city), it may be appropriate to undertake construction as project execution begins. Before proceeding, however, the LPA should apply three other tests, as described below.
- 1A. The reuse market for the project should be clearly identified, strong, and not likely to be changed. This means that the LPA should be certain that completed public improvements will not lock the project into an inappropriate parcelization that might subsequently limit marketability. Some cities have undertaken

project improvements without first determining the demand for reuses with sufficient care; upon completion of the improvements, it can be discovered that the reuse plan does not reflect current and probable future conditions. Hence, it is important to be sure that construction of improvements will enhance, rather than constrict, existing and projected market demand.

- 1B. Most types of reuses do not require specialized project improvements to be completed before construction can begin. However, heavy industrial uses, for example, may require larger utility extensions that would have to be available by the time new buildings were completed. Although such improvements could be installed after a single, special site had been deeded, it would be important to have them in place if a large tract of land were to be subdivided and marketed for multiple heavy industrial users. In an area such as this, it would probably be unwise to construct minor improvements like curbs and gutters before the sites were contracted and deeded. Such improvements are not necessary to enhance marketing and would just have to be repaired after construction on the sites was completed.
- 1C. Postponement of site improvements is also warranted when an LPA anticipates that a large disposition parcel will be subdivided for development. This applies primarily to residential tracts, but it can also be important for industrial or commercial parcels when the planned reuse is an industrial or office park. Construction of site improvements prior to disposition could discourage developers from purchasing large parcels if the improvements effectively dictated the ways in which the property had to be subdivided. In these cases, it is better to wait until the parcel is deeded and contracted, and then undertake site improvement construction in accordance with the subdivision plans of the developer.

For higher density projects in or near central business districts, the question of when to construct project improvements can be more problematic. The major streets and utility trunk lines have to be installed immediately in almost all cases -- because their construction is time-consuming and because roads are often necessary to maintain circulation patterns in the downtown area. The preferable action for secondary streets and for site improvements is not so clear.

Many Agencies have historically attempted to market "superblocks" to single developers for integrated multi-use developments. Though the success in marketing and

then achieving development of these blocks has been mixed, some of the most exciting urban renewal planning and construction has occurred on superblocks. In a highly urban setting, they represent one of the key advantages of urban renewal -- assemblage of disparate parcels with multiple owners to create sites for large-scale development. Nonetheless, many Agencies have experienced inordinate delays in initial marketing and then in negotiations during the precontract period with potential developers of superblocks.

Unless a developer for a superblock has been lined up and an LPA has confidence in his ability to perform promptly and expeditiously, it may be better to subdivide the project and install all streets and utilities (up to the property lines) in advance of disposition. This will reduce long-term costs for project improvement construction and will avoid delays in interagency coordination of construction that could end up hampering the marketing of new buildings in the project. We found cases where utility lines installed for high-rise residential development of a specific large site subsequently limited the planning potential for a mixed-use development. However, the problem there was with on-site improvements. We found few cases where streets had to be realigned after they were put in to accommodate a proposed development. In other words, final developments are more likely to be smaller and not larger than the LPA originally planned. On balance, therefore, we believe that most of the street and utility lines that are likely to be needed should be installed from the outset in CBD-oriented urban renewal projects.

2. Construction of minor public improvements is frequently dependent on prior completion of major improvements. For example, sewer connectors cannot be installed until trunk lines are in place. Also, since many improvements follow street alignments, it is necessary to finalize street patterns before undertaking construction of improvements that follow them. When the LPA plans to undertake the construction of both major and minor public improvements, it is often feasible and sometimes essential to complete major improvements before undertaking minor installations. If this is the case, the LPA should consider constructing only major improvements immediately and delaying minor site improvements until parcels have been disposed to developers.
3. One of the most important reasons for undertaking the construction of public improvements before land

disposition is their positive effect on land marketing. Visible improvements, in particular, offer tangible evidence of public commitment to an area, and this can help to spur private investment. When one or more of the conditions discussed below exist in a project area, minor improvements such as access roads, curbs, gutters, street lighting, and street furniture should be completed prior to land disposition.

- 3A. If the reuse market is relatively weak, project improvements should usually be constructed before marketing begins. Areas that are highly deteriorated tend to be rejected by developers unless market forces indicate unusually strong development potential. Frequently, an LPA will find that "pioneering" developments that introduce a new use to a project area will be especially difficult to get started because of developer conservatism about market acceptance. Furthermore, almost every city will have renewal parcels for which demand is generally depressed and alternative reuses are inappropriate. Such parcels require aggressive marketing, and every effort has to be made to enhance the desirability of the site. In these cases, minor improvements that improve accessibility, remove blighting influences, and increase the attractiveness of the parcel can help to overcome depressed demand levels. They should therefore be constructed promptly.
- 3B. If the project is planned for rehabilitation and present improvements are insufficient, new construction should be undertaken as soon as possible. Rehabilitation projects are not likely to require major changes in street alignment or other improvements that can affect parcelization. These projects are especially well suited for immediate completion of minor improvements to encourage private reinvestment and to accelerate disposition of vacant land. In Atchison, Kansas, for example, we found that capital improvements completed prior to disposition significantly improved disposition rates by demonstrating the city's commitment to the project area. This can be an important incentive, particularly to small developers.
- 3C. If the project is an NDP area and future funding is uncertain, project improvements should be installed simultaneously with initial marketing. Virtually every Agency that has begun a project under the Neighborhood Development Program has experienced difficulties over annual funding. Many have had funding cuts that have made planned construction of public improvements impossible. Because of continuing uncertainty over availability of funds, we strongly suggest that Agencies

not wait to complete minor project improvements until land disposition begins. The best way to ensure that improvements are provided is to undertake construction as soon as funds become available.

4. Most cities require that public improvements be constructed by or under the supervision of the city engineer or the public works department. This means that the LPA must establish good working relationships with personnel responsible for public improvement construction. In several cities RERC studied, LPAs appeared to wait until projects were into execution before beginning discussions with other city agencies about necessary public improvements. This sometimes created antagonisms among the agencies and often resulted in delays in construction. Furthermore, it also reduced the leverage the LPA could exert when delays occurred.

This problem often becomes even more severe when public improvements are to be constructed by non-city agencies. For example, one eastern city has encountered long delays in the construction of a flood control conduit because of inadequate leverage over the U.S. Army Corps of Engineers. Many other cities have experienced delays because of inability to pressure state highway departments to expedite construction of new roads. Sometimes these delays are unavoidable because they result from insufficient funding; but in numerous cases, the delays result from the low priority status of the planned public improvement in the scheduling program of the state or regional agency.

It is important for an LPA to be realistic about the possible leverage it can exert to expedite construction of public improvements. One way to minimize possible difficulties is to establish lines of communication with appropriate agencies during the planning phase of a project. This can reduce antagonisms and help to anticipate possible delay-causing factors. If political considerations or possible funding cuts indicate that later delays are likely to be difficult to overcome, the LPA should then press for immediate construction of planned improvements.

5. State and federal grants for construction of certain types of public improvements will sometimes require that construction be undertaken within a specified period of time. Funding may terminate if construction is not completed, and a city may have extreme difficulty extending a grant or finding alternative sources of funds. In such instances, it is clearly in the

LPA's interest to see that funding is appropriately staged to fit the projected construction timetable, and also to be certain that construction begins immediately upon the awarding of a grant.

6. The more complex a public improvement, the more lead time that will probably be required for design and construction. This means that bridges, state highways, beltways or inner loops, and virtually all rapid transit facilities will necessitate several years of planning before construction can begin. Most major public improvements involve coordination among numerous agencies, frequently at several governmental levels, and unraveling bureaucratic red tape can take a great deal of time.

Although almost every city visited in our study experienced delays in land disposition because of stalled construction of complex project improvements, a particularly difficult situation occurred in one southern city where a proposed expressway alignment was in planning for almost ten years. State and federal agencies would not make commitments to build the expressway, and the problem was resolved only when the city modified the extent of the alignment and constructed the thoroughfare itself. The long delay between planning and actual construction indicates that cities must be prepared to allow long lead times for design, and to begin construction as early as possible.

7. When an LPA undertakes a total clearance project, street patterns are sometimes planned that are unique to the overall design of the project. Frequently, the LPA anticipates that the project will be disposed to a single developer and in some case the developer is actually involved in the preparation of the reuse plan. In one city RERC studied, an entire project area was under contract to a single developer for five years, during which time all public improvements were completed. At the end of five years, the developer withdrew without starting construction. Subsequently, the LPA had great difficulty marketing the project to other developers because the project's street patterns were highly irregular and not easily adapted to disposition to multiple developers.

As the above example indicates, it is often unwise to begin construction of unique public improvements until all parcels are deeded. Although there are certain advantages to the disposition of an unusual project area to a single developer, the LPA should be certain that development will proceed before completing project

improvements that create inflexible parcelization.

- Construct Project Improvements Simultaneously with Development

8. This test is the corollary to Test 3D. If redevelopment can proceed without improvements being completed or constructed, it may be appropriate for the LPA to stage construction simultaneously with development. When it can be used, this approach has several important advantages. First, it enables the LPA to make certain that project improvements are coordinated with developers' plans. Second, it avoids the additional costs of repairing completed improvements that might be damaged during construction. Third, it gives the Agency some flexibility in changing reuses if initial marketing efforts have not been successful.

Even though an LPA may have legitimate reasons for undertaking public improvements construction when development begins, the possibility of unexpected delays always exists. Sometimes this is not a serious problem, particularly when reuse markets are strong. In Boston, for example, a luxury apartment complex was constructed and substantially occupied long before access roads, street lighting, and other project improvements were completed. In most cities, however, delays in construction of public improvements will seriously deter marketability. This is an important factor to consider before deciding to construct public improvements simultaneously with development.

9. One of the important factors to evaluate before deciding upon construction of public improvements simultaneously with development is the amount of time required to complete construction. Developers are certain to request that all project improvements be in place when development is completed; otherwise, the marketability of the development can be threatened. For minor project improvements, it is likely that construction could feasibly proceed simultaneously, but major improvements may require considerably more time. Therefore, an LPA should not wait to construct improvements simultaneously with development if the time required for their completion will exceed the time required for on-site development.
10. Engineering considerations can place practical limitations on the scheduling of project improvements. Generally, underground work must be completed first, followed by street improvements, curbs, gutters, sidewalks, and structures. If an LPA waits until after disposition

to begin construction of project improvements, the public construction activity may interfere with on-site private development. For example, construction of underground improvements can limit accessibility to a site and make movement of equipment difficult or impossible. Aboveground construction can interfere with movement of machinery on a site. The timing of such construction can sometimes be scheduled to minimize interference with site development, but, if not, the LPA should be prepared to construct minor improvements prior to land disposition.

11. When project improvements are to be constructed by non-city agencies, the probabilities of delay are increased enormously. This is because an LPA has much less control over non-city scheduling priorities and funding levels than it does over those of its own city. In addition, the fact that outside agencies are often responsible for major improvements that tend to be larger and more complex than those undertaken by the city itself can contribute to the increased likelihood of delay. As the majority of LPAs already know, highway projects can be stalled for indefinite periods by the inaction of state and federal highway departments.

Delays in the construction of major public improvements, such as highways, can seriously affect the rate of land disposition in an urban renewal project. When projects are dependent on good accessibility long delays in highway construction can have strong negative impacts on marketability; this is especially true for industrial and commercial parcels. Furthermore, indecision regarding proposed alignments can make reuse planning difficult or impossible. In such cases, it is clearly in the interest of the LPA to exert as much pressure as possible to see that plans are finalized and that construction of improvements by non-city agencies is underway before land disposition begins.

20

SELECTION PROCESS FOR MULTIPLE DEVELOPMENT PROPOSALS

A. Statement of the Problem

When an LPA is fortunate enough to own a highly desirable site that has been advertised and has generated considerable developer interest, the Agency is then faced with the problem of effectively selecting one developer from among those submitting proposals. The questions that the LPA must answer, and that are addressed in this chapter are: "How do you decide which developer would be best for the project?" and "What factors are helpful in differentiating among the capabilities of the developers interested in the project?" These questions have no hard and fast answers. Nonetheless, there are several criteria that should be considered in evaluating proposals and developer capability.

To many disposition officers, this problem is an enviable one. Yet, for those fortunate enough to have it, it often poses serious dilemmas. The problem of selecting from among several development proposals occurs most often in central business district projects where prime sites have been cleared and designated for retail, office, and hotel-motel reuses. In residential projects, the LPA is more often able to divert "excess" developers to comparable sites in the same or other projects.

B. Basic Strategy Alternatives

In order of complexity and detail of required submissions, there are three general alternatives for LPA actions. These may be summarized as follows:

- Make Prompt Selection After Prescreening -- Under this alternative, developers would submit general qualifications and perhaps appear for an oral discussion/presentation. Then the LPA would select one developer and begin contract negotiations. As a general rule, this alternative is not recommended because it provides too little information to the Agency and because it too quickly eliminates the Agency's options.
- Make Preliminary Selection and Hold Other Options Open -- In this case, the LPA would enter preliminary negotiations with one developer and extend the "negotiation period" long enough to allow time for financing to be arranged, for initial discussions with possible prime tenants, and for working drawings to be prepared by architects. During this preliminary period, other developers' proposals would not be rejected. Rather, developers would be told that an initial selection had been made but that further consideration of proposals would occur if the tentatively selected developer was not able to "package" his proposal successfully within a specified time.
- Require Detailed Proposals and Then Select Developer -- This is the optimum alternative although it is a time-consuming one and might lead to a lower number of submissions. It requires all interested developers to prepare covering marketability, financial feasibility, project financing, design planning, and development scheduling. We do not recommend that this procedure involve a design competition. After detailed proposals are submitted and a developer is selected, we recommend the same type of trial period described in the previous alternative.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 14 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

PROBLEM: SELECTION PROCESS FOR MULTIPLE DEVELOPMENT PROPOSALS

basic alternatives	tests	findings	specific actions
Make Prompt Selection After Prescreening	1. Is an adjacent owner proposing to develop this property?	Yes No	Select adjacent owner as developer if other criteria are satisfied (see text). Apply other tests in this set.
	2. Are any of the proposed developers' past performance records known to the LPA?	Yes No	If past performance has been good, give priority consideration to these developers. Apply other tests in this set.
	3. Is the proposed development a small-scale, non-complex, single-use project in accordance with the plan?	Yes No	Give priority consideration to these developers. Apply Tests 4 through 14.
Make Preliminary Selection and Hold Other Options Open	4. Are the design restrictions applying to this property stringent?	Yes No	Apply Tests 5 through 14. Apply Tests 5 through 7.
	5. Does one developer appear to be significantly more qualified or more acceptable to the local community than the others?	Yes No	Assign this developer a short-term trial period to "package" the project, but hold other options open. Apply other tests in this set.
	6. Is one proposal for a higher use and a superior development than the others?	Yes No	Encourage short-term "packaging" period for this proposal, but hold other options open. Apply other tests in this set.
	7. Would the proposing developers refuse to prepare detailed proposals?	Yes No	Reapply above tests to select most qualified developer. Require all developers to prepare detailed proposals.
	8. Could any of the proposed developments be accommodated satisfactorily on a lesser parcel in the urban renewal project?	Yes No	Attempt to negotiate with developer(s) to use another parcel(s). Apply other tests in this set.
	9. Is each development in accordance with or superior to the plan?	Yes No	Apply other tests in this set. Rank proposed developments in order of suitability and apply other tests in this set.
	10. Does each proposed developer have an established performance record for similar projects?	Yes No	Apply other tests in this set. Rank proposed developers in order of qualifications and apply other tests in this set.
	11. Are all the developers located within the metropolitan area?	Yes No	See text discussion of national <u>vs</u> local developers. See text discussion of national <u>vs</u> local developers.
	12. Does each development proposal contain the following: 12A. Marketability study reflecting current conditions? 12B. Financial feasibility analysis for project?	Yes No Yes No	Review study for reasonableness and apply Test 12B. Request market study or evaluate proposal against recent existing study. Review analysis for reasonableness and apply Test 12C. Request financial analysis or perform feasibility testing within LPA.
	12C. Evidence of developer's ability to finance project?	Yes No	Verify information and apply Test 12D. Request evidence of developer's capability to finance project.

PROBLEM: SELECTION PROCESS FOR MULTIPLE DEVELOPMENT PROPOSALS

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
	<p>12D. A workable and attractive design plan (if required for offering) or designation of a design firm with an established record of quality work on projects of a similar type?</p> <p>12E. Development schedule indicating expeditious completion of project?</p> <p>13. Do a number of local agencies and citizens groups have a strong interest in the selection of developers?</p> <p>14. Does one proposed development and developer appear to be significantly more desirable than the others?</p>	<p>Yes No Yes No Yes No</p>	<p>Review submission and rank proposals in order of preference and apply Test 12E. Request design submission.</p> <p>Review schedule for reasonableness and apply other tests in this set. Request schedule of proposed development timing.</p> <p>Through joint meetings, prepare developer selection criteria and involve representatives in the selection process. Apply other tests in this set.</p> <p>Assign this developer a short-term trial period to "package" the project, but hold other options open. Reevaluate Test 12 so as to make selection.</p>

We recommend that a person evaluating the problems of selecting a developer from multiple development proposals read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Selection Process for Multiple Development Proposals." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as subheadings to clarify the context of the discussion of the tests.

● Make Prompt Selection After Prescreening

Prescreening, as used in this context, involves the developer's submission of general qualifications and plans so that the Agency can determine whether the proposed project:

1. Is in conformance with the renewal plan.

2. Complies with zoning or other restrictions.
3. Is proposed by a developer with the ability to follow through on the project.

Prescreening of this type is only a cursory process by which the LPA can achieve some sense of the viability of the proposal and the capability of the developer. As was mentioned earlier, this alternative, because of the lack of detail available to the LPA, is the least desirable and most risky of the three.

1. In situations where an adjacent property owner wishes to purchase and develop a renewal parcel, it is expedient to select him as redeveloper if he meets prescreening eligibility criteria. Presuming that his development proposal conforms to the renewal plan, is for a desirable reuse, and that he is financially capable of completing the proposed development, conveyance of the parcel to him should be considered.

In many instances, an adjacent property owner seeks to use a renewal parcel for expansion of his own business or residence rather than for undertaking a new venture. His proposal, therefore, might continue an existing land use that the Agency can easily evaluate as to quality and desirability. His management capabilities can also be evaluated, to a degree, based on the operation of his existing business. In any case, an adjacent owner will have considerable vested interest in how the renewal parcel is developed and maintained -- not wanting its appearance or value to adversely affect his own property. Also, development of the parcel by an adjacent owner might keep a viable business in need of expansion space within the project area.

2. When it is not feasible for an LPA to require detailed development proposals, a key step in the developer selection process is to evaluate those submitting proposals on the merits of their past performance in the city or elsewhere. Past ability to put together similar developments is a significant indicator of competence. In addition, those who have demonstrated their ability to work in urban renewal areas in the past and who are willing to undertake further renewal projects should be given priority consideration. Even better, those developers who have demonstrated their ability to complete a successful project working with the LPA making this decision might be considered the first choice, after successfully meeting prescreening requirements.

3. Small-scale, single-use projects lacking in complexity are the most appropriate type for rapid developer selection. The risks inherent in putting together a small, relatively simple project are much less than those in a large, complex, multiuse project.

- Make Preliminary Selection and Hold Other Options Open

4. Certain renewal parcels, particularly those located in retail or historic preservation districts, have stringent design restrictions placed upon them. When this is the case, proposals not meeting these restrictions should be readily rejected or returned to the developer for modifications. When an LPA is satisfied that its design criteria have been met, it should consider other characteristics of the developer and his proposal as discussed in this chapter. If none of the proposals that have been submitted comply with the design restrictions placed on the parcel, yet are very desirable in other respects, the LPA should re-evaluate its design criteria to be sure that they are realistic and not unnecessary impediments to development of the parcel.

If design restrictions are only minimal, consideration of the characteristics of a developer and his proposal discussed in Tests 1 through 7 can serve as sufficient guidelines for developer selection.

5. When an informal prescreening and Tests 1 through 4 have been applied and one developer appears to be significantly more desirable than others, it is recommended that he be tentatively selected and given a 60-day trial period to "package" his proposal. During this time, alternative development options should be held open. The selected developer can be requested to furnish additional evidence of the availability of his financing, of tenant commitments, of working drawings prepared by his architect, and such other documentation as might be needed to overcome any initial weaknesses in his proposal. If sufficient evidence has not been provided after 60 days, an LPA can withdraw the tentative selection without breaking a contract and can proceed to the next best proposal. Sacramento, California has found this type of trial period for a tentatively selected developer to be a very useful tool in developer selection; the trial period occurs before the formal disposition agreement is prepared.

Another aspect to be considered in selecting a developer is the degree to which he is acceptable to the local community. When prime parcels are being marketed, every effort should be made to involve public and private community leaders in negotiations with potential developers. A high level of citizen acceptance is important for new development, particularly in areas of high ethnic concentration. If the community expresses approval or benign consent, the developer's proposal should be tested against additional criteria. However, if strong negative attitudes are expressed by powerful and influential community groups, the significance of their complaints needs to be considered carefully by the LPA. It is possible that the issue is not really the developer, but the designated reuse. If so, the LPA should work closely with local citizens to develop an acceptable reuse plan.

6. The LPA has a dual responsibility in land disposition. It is interested in conveying renewal land at a rapid rate; yet the Agency has also been charged with renewing a blighted neighborhood as effectively as possible. Part of this responsibility involves seeking the highest and best use for each disposition parcel. When more than one development proposal has been submitted, a judgment needs to be made regarding which plan proposes the most desirable use of the parcel. The various proposals can be ranked with regard to desirability as one selection mechanism. If one proposal is clearly superior to others, a preliminary selection should be made and the developer should be encouraged to package his proposal in a specified time period (60 to 90 days) while other options are held open.
7. In one of our west coast test case cities, a developer whose past performance record was known to the LPA was designated redeveloper of a parcel even though he refused to prepare detailed designs for competition. The time and costs involved in preparing extensive proposals may be prohibitive, especially for a small developer. When this is the case, the LPA will likely have analyzed enough factors after applying Tests 1 through 7 to enable it to make a reasonable selection of a developer.

The more desirable course of action, especially when a complex development with special restrictions is planned, is to require prospective purchasers to prepare a package of information supporting their own

financial and managerial capabilities and the feasibility of the proposed development. Such packages should include complete descriptions of the proposed development, evidence to document the past performance of the development team, statement of the developer's ability to finance the development, and back-up data on the proposed project including a marketability study, a financial feasibility analysis, a design proposal, and an implementation schedule for the project. These elements are discussed in more detail under Test 12 below.

● Require Detailed Proposals and Then Select Developer

8. In cases where a prospective developer's needs can be satisfied by a less marketable parcel, the LPA should attempt to divert the buyer's attention from the more desirable site to another parcel within the same or another renewal area. This basic marketing tactic helps to maintain a highly saleable inventory of land and decreases the number of parcels that will be most difficult to sell. Such an approach in no way implies an attempt to sell land that fails to meet a buyer's needs. Rather, it implies carefully matching those needs with the characteristics of "products" available for sale.
9. A readily discernible criterion for developer selection is a determination of the degree to which each proposal conforms to the renewal plan. The LPA should rank development proposals in the order of their qualifications with respect to specific elements of the plan, such as unit mix or circulation patterns, as well as with regard to overall suitability. In making this determination, the possibility of a developer proposing a higher and better use than was envisioned in the renewal plan should be borne in mind (see Test 6 above).
10. An extremely important consideration in the selection of a developer for a particular project is the previous "track record" of those developers submitting proposals. For instance, because of limited resources and uncertain funding for an assisted housing project, one LPA selected the one developer out of five proposers who had had previous experience with the subsidized housing program in question. That developer was already managing a similar project in the same neighborhood and had a financially feasible and acceptable design.

An examination of numerous urban renewal projects shows that a successful project is more likely when priority consideration is given to those developers who have demonstrated their competence in similar projects. Many LPAs have encountered long delays and then have had to terminate developers because they could not coordinate the development, could not obtain financing, or could not line up prime tenants. Such developers are often well-intentioned but inexperienced -- characteristics that an LPA can identify in advance.

11. When confronted with a choice between a national developer and one from the local area, what criteria can an LPA use to make a selection? An analysis of this issue with respect to the 22 cities in our study indicates that in most cases national developers failed to perform and eventually withdrew their proposals or were terminated by the LPA. There are certainly exceptions to this observation -- including stunning examples of projects built by national developers -- but the instances of nonperformance tend to outweigh those exceptions.

In city after city, we found that considerable delays in land disposition and new construction occurred when national corporations were the designated developers. One downtown commercial parcel was under contract to three different outside developers who held the property for approximately 1.5 years each before terminating their contracts. A total of 4.5 years were lost in the redevelopment of that parcel. In two midwestern cities, development was stalled for several years for the same reason. A more complete discussion of the issue of developer nonperformance is included in Chapter 15.

The pros and cons of national versus local developers can be reviewed quickly. First, cities and LPAs most often select large national corporations as developers because they perceive that such companies possess:

- Greater financial resources.
- Development expertise.
- A good image, a well-known name, prestige.
- "Clout" with political leaders.
- Greater contacts with potential tenants.

Actually, active national developers do not often choose to purchase land in renewal areas because of the complexity of HUD and LPA requirements and because of the necessarily longer time frame for development. Therefore, when national developers do seek to purchase a renewal parcel, a city tends to be awed by their interest and the prospect of what the corporation's proposed development can offer the city. At times, these expectations are quite unrealistic. (The one reuse for which a national developer may normally be the best choice is a major hotel on a prime site with a good market. Even then, though, the ideal situation is to have a local franchise.)

Local firms, on the other hand, are most often chosen because they have:

- A sensitivity to the local community.
- High personal motivation to complete the project for the sake of their own reputations, if not because of commitment to local redevelopment.
- Better communication with local political leaders and citizens' groups.
- Experience with local contractors and lenders.

Based on experience, cities are finding that local firms have a higher completion rate for projects than large, national firms. Yet local firms have problems, too. They are likely to lack the strengths of the national developers, particularly with regard to financial resources and development experience. The latter point applies especially to large and complex projects that may be beyond the prior scope of local developers.

In one of the cities we studied, all of the redevelopers were selected very early in the development process and none was able to complete a project without reorganization, outside assistance, or special considerations by the Agency. Their problems were attributable to the fact that all the redevelopment teams were locally constituted and had very little development experience. The designation of a local developer may necessitate a larger commitment on the part of the LPA to offer technical assistance through its own staff or to see that the developer gets it elsewhere.

In New Castle, Pennsylvania, a joint venture between a local team and an outside developer has proved to be successful. The local development team, awarded the contract first, found that they lacked some of the technical skill necessary to complete the project. When an established regional developer with financial backing and sound development experience joined the local group, public confidence was restored and development proceeded. When viable, the possibility of a joint venture of a similar nature should be explored so that local and regional or national developers' strengths might complement each other.

12. The contents of a detailed development proposal as referred to in this third alternative are described in the following paragraphs.
- 12A. For various reasons, many LPAs have placed little stock in the conclusions and recommendations of marketability studies. We believe that market analysis is very important and that a complete marketability study should be furnished by the developer if the LPA does not have a competent report that reflects current demographic and economic conditions, as well as an understanding of the competitive market.

The elements that should be included in a retail market analysis, for example, are discussed below:

- A brief overview of the economic and demographic characteristics of the metropolitan area in order to ascertain their impact on the short- and long-term future of the area.
- A definitive analysis of the subject parcel's suitability as a retail site, including a discussion of its topography and terrain, location, and accessibility.
- The establishment of a trade area based on several considerations: the strength of existing and proposed competitive facilities that now serve, or will serve, the area; population distribution and concentration; access conditions; and any other factors that would affect either residential growth or automobile accessibility.
- An analysis of present and future population in the trade area.

- An evaluation of present and projected per capita income levels. Income figures should be updated to current levels as an input for calculating personal consumption expenditures in the trade area.
- An evaluation of per capita personal consumption expenditures; that is, the amount that shoppers spend to purchase goods and services.
- A projection of sales potential in the future for specified years, based on the product of population and per capita expenditures.
- A complete description of existing and planned competitive facilities, including a quantitative and qualitative analysis of their operations.

Based on a thorough evaluation of the factors described above, the following conclusions should be developed:

- The extent of the market demand for retail use at the site.
- Recommendations regarding the amount of space to be constructed, types of stores that would be suitable, and an estimate of sales volume to be captured.

Other types of market studies follow the general format described above, although the methodology for determining market demand varies by type of land use.

- 12B. Based on the findings of a project's marketability study, its financial aspects should be analyzed in a financial feasibility study. Findings relating to absorption rates, price structures, and occupancy or usage would be used to project gross annual revenues. Assumptions acceptable to both the LPA and the developer regarding the cost of land, infrastructure development, building costs, taxes, and financing would be analyzed to provide an estimate of total capital cost. Annual operating expenses would then be determined and deducted from revenues to arrive at estimated annual net income and a discounted cash flow statement on a pre-tax basis. A sensitivity analysis, measuring the effect of particular assumptions and variables, should be included to provide liberal and conservative estimates of the profitability of the project, as well as a middle or "most likely" estimate.

A sample financial feasibility statement or pro forma for a proposed office building is included on accompanying pages.

- 12C. A key factor in the developer selection process is an early evaluation by the LPA staff of the developer's equity position. Especially significant is the form of a potential purchaser's equity -- whether cash, stocks, or real estate -- for the latter two forms of investment are more speculative. A developer's personal or corporate statement should be reviewed carefully and verified. The LPA should insist that all pertinent financial information be made available for review before an agreement is signed with a developer.
- 12D. The experience in our test case cities with respect to design restrictions has shown that the imposition of design controls has been desirable only in historic preservation areas or highly ethnic neighborhoods such as Ybor City in Tampa. Many LPAs have dealt with this issue by creating architectural design review boards that must approve a developer's plans before he can be selected. Given a flexible approach to evaluation, such boards can be very effective. However, when standards are rigidly set or reviewers are indecisive, architectural design reviews can delay development and alienate prospective developers.

Based on our study findings, we do not recommend design competitions as part of the developer selection process. In several instances, LPAs selected a developer on the basis of an attractive and distinctive design that later proved to be infeasible. Too often, this resulted in a developer withdrawing his proposal and the land reverting to the LPA, which had to market it again. Many LPAs have found design competitions to be both costly and flamboyant exercises.

In the process of reviewing proposals, it is appropriate, however, for the LPA to require that a developer submit working drawings of his proposed project or designate his design firm, which should have had experience in performing quality work on similar projects.

- 12E. Because of bad previous experiences with developers who were unable to perform, many Agencies are focusing more on a careful scrutiny of a developer's time schedule as a criterion for selection. Efforts should be made to select a developer with a timely, yet realistic, proposal. Beware of development schedules that are artificially short.

INVESTMENT ANALYSIS OF
PROJECTED OFFICE FACILITY
(36,000 Net Rentable Sq. Ft.)

A. INVESTMENT

Land Value @\$2.50/sq. ft.	\$ 215,500
Construction Cost: 42,350 gross sq. ft. @\$25/sq. ft.	1,058,750
Site Improvements (including parking and landscaping)	<u>42,000</u>
Total Investment	\$1,316,250

B. CASH FLOW BEFORE INCOME TAX

Effective Gross Income	\$ 242,300
Gross Potential Income: 36,000 net rentable sq. ft. @\$6.50 per sq. ft.	\$234,000
Gross Potential Parking Income: 100 spaces @\$20 per month for each space	20,000
Less: Vacancy and Rental Loss at 5%	<u>11,700</u>
Expenses	97,320
Includes operating expenses, utilities, leasing fee, management, insurance, maintenance, repair, and taxes @40.5% of effective gross income.	
Net Annual Income	<u>\$ 144,980</u>
Yield on Total Investment (\$144,980 ÷ \$1,316,250)	11.01%
Annual Debt Charges (\$1,316,250 × 75% = \$987,190 loan @9½% for 25 years; Factor .1049)	<u>103,560</u>
Cash Flow Before Income Tax	<u>\$ 41,420</u>

C. RATE OF RETURN BEFORE TAX

Equity Investment (\$1,316,250 - \$987,190)	\$ 329,060
Cash on Cash Return on Investment (\$41,420 ÷ \$329,060)	<u>12.58%</u>

Assumptions for the Sake of Example:

- 86,200 Sq. Ft. of cleared land @\$2.50/Sq. Ft.
- A 42,350 Gross Square Foot Office Facility @\$2.50/Sq. Ft.
- 100 surface parking spaces @\$20 monthly rental per space
- A 75% loan @9½% for 25 years.

Note that the above items are subject to variation by both region and time. For example, construction costs, maintenance costs, real estate taxes, etc., can vary monthly and will ordinarily differ by regional location. Even within a region, property taxes vary by municipality. These items can all be affected by policies of the LPA. For example, the following tables describe the effects of different values of land cost, costs of site improvements, and occupancy rates on profit.

INVESTMENT ANALYSIS OF PROJECTED OFFICE FACILITY

TABLE 1
EFFECT OF CHANGES IN COST PER SQUARE FOOT
OF LAND ON TOTAL COST AND RETURN ON EQUITY

Table 1 shows the effect of land cost on the equity return or profit. Obviously, marketability of the land depends in part on the appraised reuse value of land. If land disposition is slow, therefore, quite possibly the reuse value of the land should be re-evaluated and reduced as an incentive to development.

Land Cost Per Sq. Ft.	Total Cost	Cash Flow Before Income Tax	Equity Return
\$1.50	\$1,230,050	\$48,210	14.67%
2.00	\$1,273,150	\$44,810	14.07%
2.50	\$1,316,250	\$41,420	12.58%
3.00	\$1,359,350	\$38,030	11.19%
3.50	\$1,402,450	\$34,640	9.87%

TABLE 2
EFFECT OF CHANGES IN COST OF SITE
IMPROVEMENTS ON TOTAL COST AND RETURN ON EQUITY

Table 2 describes the effects of varying site improvement costs on equity return. Flexibility of desirable standards for site improvements such as landscaping, screening of parking facilities, lighting standards, etc., must be achieved during negotiation in order to obtain an attractive yet profitable development. The LPA must realize the ramifications of excessive design controls on profitability, and the developer must realize the role of the LPA in assuring an attractive development.

Cost of Site Improvements Including Surface Parking & Landscaping	Total Cost	Cash Flow Before Income Tax	Equity Return
\$ 22,000	\$1,296,250	\$43,000	13.26%
\$ 42,000	\$1,316,250	\$41,420	12.58%
\$ 62,000	\$1,336,250	\$39,850	11.92%
\$ 82,000	\$1,356,250	\$38,280	11.29%
\$102,000	\$1,376,250	\$36,700	10.66%

TABLE 3
EFFECT OF CHANGES IN AVERAGE OCCUPANCY
ON INCOME AND RETURN ON EQUITY

Table 3 describes the effects of varying occupancy rates on equity return. Through proper marketability analysis and the preparation of feasible plans, the LPA can aim for a scale of development which should achieve profitable levels of occupancy. Also, the LPA must realize that provision of public improvements and services is instrumental to desirable occupancy rates, thereby increasing the profit incentive for the development.

Average Occupancy Rate	Gross Income	Cash Flow Before Income Tax	Equity Return
100%	\$254,000	\$53,120	16.14%
95%	\$242,300	\$41,420	12.58%
90%	\$230,600	\$29,720	9.03%
85%	\$218,900	\$18,020	5.47%
80%	\$207,200	\$ 6,320	1.92%

The above three variables have been taken independently. Imagine the negative impact of an over-priced land parcel plus too many stringent design controls. Although these particular variables have been singled out, the LPA must also be aware of the impact of real estate taxes, maintenance costs, insurance and other variables which affect the return on investment.

Not noted in the previous analysis, lower overall costs tend to lower the amount of equity or cash on hand required, and less equity required can be a significant factor in stimulating development. It should also be noted that the ability to achieve an expected rental rate where applicable is a high priority in profitable development. The sensitivity of profit to expected rental rates, in addition to occupancy expectancy, is paramount to success. Furthermore, the considerable effects of interest rates on annual debt charges (payment on the loan) and the resultant cash flow before income tax depicts the need for quick execution by the LPA because time costs money to the private developer.

Understanding the effects of different costs on a project's profitability, therefore, the LPA can better realize the role its policy plays in stimulating or inhibiting private development.

Prepared By: REAL ESTATE RESEARCH CORPORATION

13. A lack of local citizen involvement in the selection of developers can be a serious deterrent to expeditious land disposition, especially in residential projects. Citizens have often felt that the federal government and an outside developer should provide all the money and take all the risks. Thus, the demands upon a developer can become unrealistic and can lead to termination of a disposition agreement.

In Portland, Maine, in contrast, such rivalry existed among city agencies over developer selection that coordination and resolution by the adept city manager were required. When groups outside the LPA are particularly interested in developer selection, the LPA should arrange to meet with them to jointly review proposals by rating them against specific selection criteria.

14. The question raised in this test was discussed earlier in Test 5. After reviewing that discussion and the results of Tests 8 through 13, we suggest that a developer be tentatively selected and be allowed a two- to three-month period in which to secure financing, tenant commitments, etc. Until a final disposition agreement is signed, other developer options should be kept open.

INTERIM PROPERTY MANAGEMENT

A. Statement of the Problem

The importance of adequate property management is often underestimated in a community redevelopment program. Yet the manner in which property management functions are handled from the time of initial acquisition can have a substantial impact upon the rate of land disposition. Moreover, because of their highly visible nature, the adequacy of property management activities can influence community acceptance of the entire renewal program.

Cities across the country face an increasingly serious problem with rising costs and responsibilities for the management of diverse, and often increasing, inventories of real estate. Many cities will have to take a more comprehensive approach to property management by developing a positive communitywide strategy and the tools for its implementation. The experience of the Local Public Agency will provide valuable input to the development of such a program, and the LPA could play a vital role in its implementation. The growing need for a comprehensive property management program has arisen for some of the following reasons, which are detailed further below:

- A residual of least desirable properties.
- An inventory of occupied residential structures but inadequate relocation resources.

- The need for high maintenance standards to keep properties marketable.
- Blighting influences continuing to retard marketability.
- The need to optimize opportunities for interim property use.
- The increased emphasis on structural preservation because of resistance to clearance.

All of these problems are common ones that RERC encountered in visiting LPAs. Because they are so closely tied to many disposition difficulties, each is discussed in subsequent paragraphs.

1. Residual of Least Desirable Properties

Examination of timelines of the rates of land disposition in urban renewal projects shows a "flattening" out during the last years before closeout. This pattern was confirmed in our examination of over 70 projects in 22 cities, which revealed that this is in part due to a residual of parcels that are the least appropriate for development. Such parcels are often of inappropriate size or shape, lack proper access, are overpriced, or are designated for a reuse that is inappropriate or not viable in the near term (see other chapters for discussions of these particular problems). An acute problem of this type exists in many communities that undertook Neighborhood Development Program projects in low-density residential areas. Because sites were acquired through hardship or voluntary acquisition, many LPAs now have inventories of scattered single-family lots (see Chapter 11) that are particularly difficult to market and costly to maintain.

Land banking may be the only viable recourse for treatment of these residual parcels. Land banking is not a "do nothing" strategy, however. It implies that suitable maintenance will take place and that all efforts will be made to procure interim, preferably revenue-producing, uses.

2. Inventory of Occupied Residential Structures but Inadequate Relocation Resources

Some LPAs and other local agencies have inventories of residential structures scheduled for demolition or rehabilitation. Occupants are to be relocated into standard housing as soon as suitable units or relocation funds

become available. Unfortunately, due to limited supplies of standard housing or inadequate financial resources, these residents are sometimes forced to remain in sub-standard conditions. This situation creates an especially sensitive property management problem as the community is in the position of being a "slumlord" and is faced with the unhappy choice of continuing to manage properties that are generally unfit for habitation or of spending considerable sums on maintenance and interim improvements to correct deficiencies to at least minimum standards. Obviously, the treatment selected in this situation can influence the community attitude toward the entire urban renewal program.

3. Need for High Maintenance Standards to Keep Properties Marketable

Our findings indicate that many LPAs have insufficient appreciation of the importance of adequate property management to "keep a marketable product." This applies equally to an inventory of occupied structures, vacant structures, or vacant land -- though the implications on costs and responsibilities vary widely by type of property, as indicated on the accompanying chart.

As consumers, most people would avoid a store in which the aisles were piled high with trash, where merchandise was soiled or torn, or where the products had obviously been on the shelves for some time. Yet it is not atypical for LPAs to let their property inventory grow up with weeds and pile up with trash, to allow sign boards to fade, or to leave vandalized structures unrepaired. Such actions very much reduce the appeal of the properties the LPAs are trying to market.

Maintenance responsibilities and costs must be assumed. There may be opportunities for LPAs to recover these costs from revenues generated from interim use of the property, or to pass the maintenance responsibility on to others. The importance of appropriate maintenance for keeping urban renewal sites marketable cannot be over-emphasized.

4. Blighting Influences Continuing to Retard Marketability

As communities move toward closing out existing urban renewal projects, LPAs will be increasingly responsible for removing constraints to marketability. One such constraint is the continued presence of blighted structures that are creating a poor environment for new development on adjacent vacant sites. These structures are often in

PROPERTY MANAGEMENT PROBLEMS AND OPPORTUNITIES BY PROPERTY TYPE

<u>Type</u>	<u>Problems/Responsibilities</u>	<u>Opportunities</u>
OCCUPIED STRUCTURES	<ul style="list-style-type: none">. Protect health, safety, welfare of occupants and community. Minimize blighting influences on surrounding uses. Control excessive maintenance costs that can accompany occupancy of substandard units	<ul style="list-style-type: none">. Protect existing housing resources when relocation options are limited. Provide potential resource for housing/commercial uses after re-habilitation. Protect marginal businesses needed by the community. Derive some revenues, though they are unlikely to cover expenses
VACANT STRUCTURES	<ul style="list-style-type: none">. Protect structures from vandalism and injury to health, safety, welfare of community. Minimize blighting influences on surrounding uses. Provide adequate maintenance of structures' exteriors and premises	<ul style="list-style-type: none">. Provide potential permanent resource for housing/commercial reuse after rehabilitation. Provide interim relocation resource. Derive some revenue that would otherwise be foregone if buildings were sealed. Provide "public benefit" space
VACANT LAND	<ul style="list-style-type: none">. Provide regular trash removal, grass cutting, etc.. Maintain "for sale" signs in good condition. Minimize impact of large amount of vacant land as image of weak market	<ul style="list-style-type: none">. Derive revenue where possible from interim uses while land banking. Provide "public benefit" space. Accrue appreciation in value. Provide resource for trading properties with other individuals and agencies

Prepared by Real Estate Research Corporation.

LPA ownership and are scheduled for eventual demolition or rehabilitation. In other cases, which are more difficult to deal with, these structures are not owned by the LPA. Perhaps they were initially scheduled for rehabilitation under an owner-participation agreement or other circumstance, but are no longer viable for this purpose. Typically, Agencies would not have funds for additional acquisition.

Our findings indicate that, under the conventional urban renewal program, most LPAs undertook the execution activities of acquisition, relocation, and demolition before any serious attempts were made to market land. In nonresidential, CBD-oriented projects, such action was often necessary to "create a marketable product" and to overcome developer/investor resistance to the area. This was particularly significant for the initial or "pioneer" developers. Thus, to the extent that communities have open projects with remaining blighting influences or are proposing new projects, greater attention to this aspect of property management will have a direct and positive bearing upon the rate of land disposition.

5. Need to Optimize Opportunities for Interim Property Use

As communities move toward a posture of positive land banking as a recourse for acquired property that is not marketable in the near term, increasing need will develop to optimize interim uses. Under community development block grants, there will be intense competition for use of local funds. Property management and maintenance are likely to receive low priority. Thus, communities will be motivated to derive all possible revenues from idle properties they own. In cases where revenue-producing possibilities do not exist but there are opportunities for use of the land in the public interest, political pressures will be exerted to inaugurate such use.

In most communities, only limited innovation has occurred to date with respect to interim property use. As the long-term nature of some of the property management responsibilities becomes clear, greater realization of interim use opportunities will likely occur. Finding all potential appropriate interim uses for publicly-owned property should be a key component of a positive land banking strategy.

6. Increased Emphasis Upon Structural Preservation
Because of Resistance to Clearance

Even without all the previously mentioned reasons, the increasing public resistance to clearance and the emphasis upon structural preservation will place new responsibility upon LPAs to manage their properties appropriately. The preservation emphasis has its genesis in a number of trends, including reaction against flagrant community disruption for some renewal projects; the practical consideration of rapidly rising costs for new construction (materials, labor, interest); renewed interest in historic preservation; and the environmental movement with its strong "conservation" bent. These trends require reexamination of inventories of structures held by LPAs as potential resources for housing, commercial, or industrial space -- perhaps under less restrictive rehabilitation standards than have been established heretofore. In many renewal areas, partly because of the "blight removal" emphasis of the urban renewal program, structures have already been demolished and only vacant sites remain.

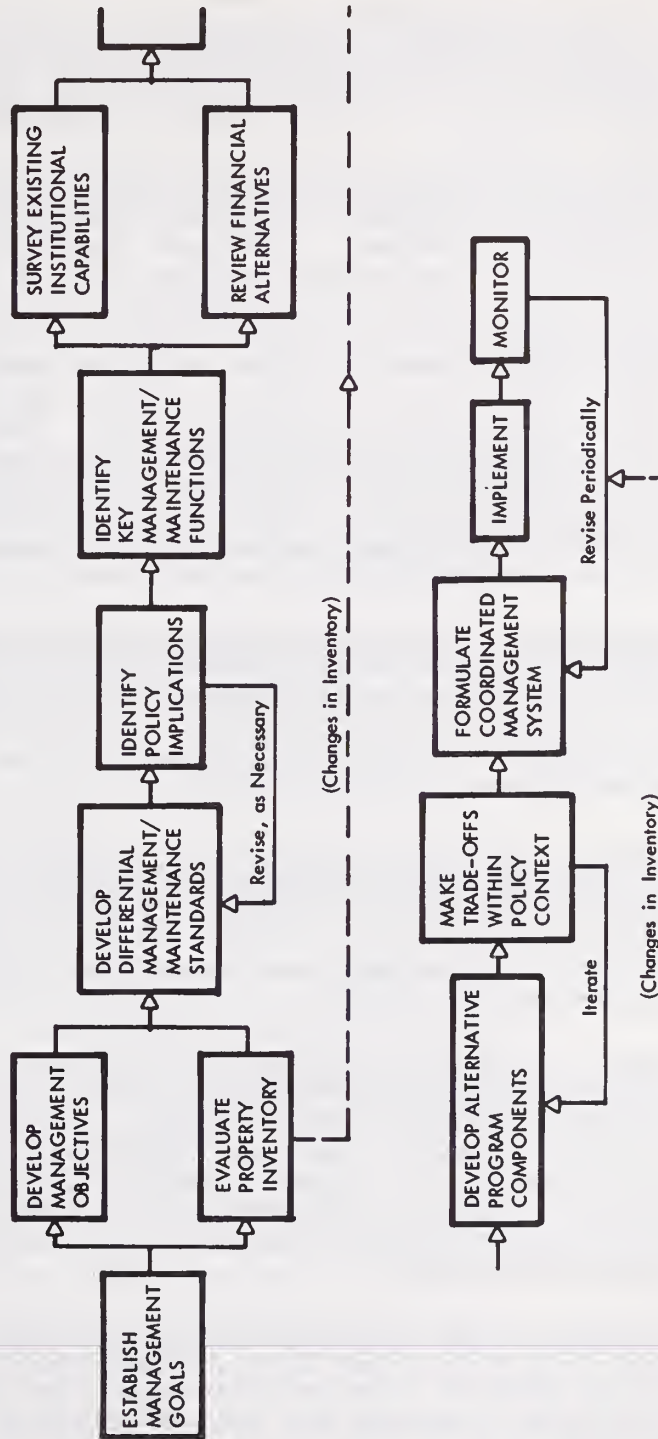
For the above major reasons, the problem of a longer-term responsibility and rising costs for managing an often increasing inventory of property in public ownership will represent a substantial challenge to many LPAs in the future. This will require a change in attitude and recognition of the importance of creative "packaging" of property management activities into a comprehensive program that is properly coordinated and adequately funded. The job could be retained by the LPAs, which have had considerable direct real estate experience, or it could be assumed by another city agency if unsold renewal parcels are transferred to city ownership.

B. Basic Strategy Alternatives

Because of the reasons outlined above, we believe it will become increasingly essential for cities to integrate and coordinate their diverse property management activities into a comprehensive, formal program. Since property management is not generally conceived in program terms, it will be necessary to establish management goals and objectives and then standards and procedures differentiated by class of property within a policy context. The principal steps for establishing such a program are shown on the accompanying diagram and are highlighted briefly below:

1. Establish Management Goals -- As property management has not generally been viewed as a program with communitywide application, it will be essential as a first step to establish overall goals. Among these goals should be

KEY ELEMENTS IN THE DEVELOPMENT OF A COMPREHENSIVE PROPERTY MANAGEMENT PROGRAM



Prepared By: REAL ESTATE RESEARCH CORPORATION

changes in attitudes relating to the following concepts: (a) recognition of property management as a positive action strategy; (b) heightened perception of the land inventory as a community asset; and (c) understanding of the importance of maintaining a marketable product.

2. Develop Management Objectives/Differential Standards -- Communities may have multiple objectives in their property management program. These may include a desire to (a) protect the public safety, health, and welfare, (b) assume social responsibility, (c) optimize fiscal integrity, and (d) enhance the public image of the administrative agency. The relative emphasis that is placed upon each of these elements should derive from a formal policy planning process. The policies and procedures providing the framework for implementation may to a large extent derive from the nature of the public property inventory. Differential standards may be desirable for management/maintenance of occupied structures, vacant structures, and vacant lots.
3. Identify Key Management/Maintenance Functions -- An essential part of a comprehensive program would be identification of the key management/maintenance functions that are or should be performed, that should be coordinated, and for which policies, procedures, and standards should be developed.
4. Survey Existing Institutional Capabilities -- A survey of the LPA and other agencies performing management/maintenance functions is important to identify where the focus of present activities is and to evaluate the capability of existing human resources for integration into a comprehensive program.
5. Identify Alternative Financing Sources -- The key to a viable property management program is of course a reliable source of revenue for continued operations. Potential sources include: (a) LPA operating budget supplements, (b) urban renewal budget amendatories, (c) interagency "pooled budgets," (d) community development block grants, (e) general revenue sharing funds, and (f) revenues from owned properties.
6. Formulate Coordinated Management System -- With the inputs of goals, objectives, and standards developed in a policy context, and evaluation of human and financial resources, communities can formulate a coordinated property management system for implementation. This system should be revised periodically in response to changes in the property inventory or in other local conditions.

The discussion in this chapter is devoted primarily to providing guidelines for evaluating alternatives for property management treatment of properties in the public inventory located in urban renewal projects. However, the guidelines will also be useful to cities for evaluating the type of treatment that would be appropriate for future redevelopment activities. As the tests involve public health, safety, and welfare, and social and fiscal considerations, they may also provide assistance to communities for the broader task of formulating an overall property management program.

The basic alternative strategies for evaluating properties to be integrated into the property management system may be summarized as follows:

- Retain Structures for Future Rehabilitation -- This involves consideration of physical, economic, and social factors relevant to the potential offered for retention of a structure as a permanent housing or other space resource worthy of future rehabilitation.
- Retain Structures as Interim Use until Disposition is Appropriate -- This alternative assumes the structures are not suited for rehabilitation and there is not a ready market for the cleared land, but there may be interim uses for the structures that would provide revenue, mitigate maintenance costs, or provide other public benefits.
- Demolish Structures and Maintain Vacant Sites in Good Condition -- This alternative of "last resort" assumes that no permanent or interim reuse potential exists for the structures or that it is otherwise in the best interest of the community to demolish the structures and manage the properties as vacant sites.

Tests to determine which of these alternatives would offer the most appropriate means for dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the tests is stated as a question that can be answered with a "yes" or "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of interim property management read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some

PROBLEM: INTERIM PROPERTY MANAGEMENT

basic alternatives	tests	findings	specific actions
Retain Structures for Future Rehabilitation	1. Would retention and rehabilitation be compatible with the project plan?	Yes No	Apply other tests in this set. Consider Tests 7 through 15.
	2. Are the buildings structurally adequate for rehabilitation?	Yes No	Apply other tests in this set. Consider Tests 7 through 15.
	3. Are the buildings in a designated historic area?	Yes No	Consult with Historic Commission to determine rehabilitation/demolition requirements. Apply other tests in this set.
	4. Are the structures deterrents to the urban renewal project's marketability?	Yes No	Contact potential rehabilitation developers immediately or demolish structures. Apply other tests in this set.
	5. Is there a potential market/need for rehabilitation structures in this area?	Yes No	Apply Tests 5A, 5B, and 5C. Consider Tests 7 through 15.
	5A. Is private market rehabilitation likely to be financially possible?	Yes No	If immediate, contact developers. If project improvements must be made first, consider Tests 7 through 11. Apply Tests 5B and 5C.
	5B. Would publicly-financed rehabilitation be financially feasible?	Yes No	Consider rehabilitation by LPA. Contact LHA. Apply Test 5C.
	5C. Is there potential for use of rehabilitated structures as a relocation resource?	Yes No	Consider rehabilitation by LPA. Contact LHA. Consider Tests 7 through 15.
	6. Is there an interim use for the structures before rehabilitation?	Yes No	Apply tests in next set. Contact potential developers immediately or demolish structures; apply Test 12.
	7. Do the structures prevent installation of planned project improvements?	Yes No	If structures are clearly designated for private market rehabilitation, consider modifying project improvements plan and consider moving buildings. Apply Test 12. Apply other tests in this set.
	8. Are the structures so badly in violation of building/housing codes that it would not be politically feasible for the Agency to rent them?	Yes No	Contact potential rehabilitation developers immediately or demolish structures. Apply other tests in this set.
Appropriate Interim Use until Disposition is	9. Is there an interim use that would provide revenue in excess of maintenance costs? (see text)	Yes No	Lease property to previous or new occupants at economic rate. Apply other tests in this set.
	10. Is there an interim use that would not result in revenue but would provide adequate maintenance?	Yes No	Allow occupants to use structure in exchange for their provision of maintenance. Apply other tests in this set.
	11. Is there an interim use that would provide insufficient revenue to cover maintenance but nevertheless would be in the public interest?	Yes No	Allow occupancy and provide maintenance so as to keep building in use. Seal building to prevent vandalism. Contact potential rehabilitation developers immediately. Apply tests in next set.

PROBLEM: INTERIM PROPERTY MANAGEMENT

basic alternatives	tests		findings	specific actions
Demolish Structure and Maintain Vacant Sites in Good Condition	12. Can the LPA now afford the following vacant lot maintenance costs:	12. Can the LPA now afford the following vacant lot maintenance costs:	Yes No	Apply Test 12B. Apply other tests in this set.
	12A. Regular trash removal?	12A. Regular trash removal?		
	12B. Regular surface maintenance?	12B. Regular surface maintenance?	Yes No	Apply Test 12C. Apply other tests in this set.
	12C. Sidewalks, curbs, and on-site utilities?	12C. Sidewalks, curbs, and on-site utilities?		
	13. Is there an interim use of the vacant land that would provide revenue in excess of maintenance costs?	13. Is there an interim use of the vacant land that would provide revenue in excess of maintenance costs?	Yes	Demolish structures and maintain in good condition. Apply other tests in this set.
	14. Is there an interim use of the vacant land that would not result in revenue but would provide adequate maintenance?	14. Is there an interim use of the vacant land that would not result in revenue but would provide adequate maintenance?	No	Lease land if use is compatible with plan, supportive of abutting uses, or not detrimental to continued market-ability. Apply other tests in this set.
	15. Is there an interim use that would provide in-sufficient revenue to cover maintenance but would nevertheless be in the public interest?	15. Is there an interim use that would provide in-sufficient revenue to cover maintenance but would nevertheless be in the public interest?	Yes No	Allow use of land in exchange for provision of maintenance. Apply other tests in this set.
			Yes No	Allow that use, but keep the site marketable. Keep sites in good condition while land banking.

Prepared by Real Estate Research Corporation and RTKL, Inc.

of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Interim Property Management." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as subheadings to clarify the context of the discussion of the tests.

● Retain Structures for Future Rehabilitation

1. In older, predominantly clearance urban renewal projects where considerable disposition and new construction have taken place, the retention of older structures might not be compatible with the overall urban renewal plan. Indeed, the structures remaining in the area may serve as a deterrent to marketability of the abutting cleared land (see Test 4 below). On the other hand, in projects that already have a significant number of rehabilitated structures, especially in residential neighborhoods, it may be appropriate to reconsider structures originally intended for demolition and new construction as a potential resource if rehabilitated. This is especially necessary now, given limited housing subsidies for

new construction, and the increasing need to derive interim uses to produce revenue or mitigate maintenance costs.

In summary, retention and rehabilitation might be compatible with the project plan, except where there would be:

- Architectural incompatibility with predominantly new construction.
 - Perpetuation of an unsuitable use.
 - Creation of inappropriate parcelization for abutting parcels.
 - Creation of awkward ingress or egress to abutting land.
 - Limited realization of full economic benefits to redevelopment.
2. Obviously, a decision to retain structures involves consideration of their structural adequacy for feasible rehabilitation. These criteria relate primarily to health and safety requirements for occupancy under present housing and building codes. Many modern codes are unduly restrictive and enforcement often precipitates demolition. Given present conditions, reconsideration of rehabilitation potential utilizing less stringent standards might be appropriate. For example, in one city RERC visited, very high standards were placed on eligibility of structures for rehabilitation. As a consequence, a number of structures that might otherwise have provided a potential housing resource were destroyed. A reevaluation of these standards might have recognized that more buildings were structurally adequate for rehabilitation.
3. Conditions in a community may change so that structures initially designated for clearance in an urban renewal project are incorporated in an historic preservation area. This occurred in Seattle after a conventional urban renewal project had been in planning for about eight years. In 1971, a voter referendum placed all the structures in the Pike Place historic marketplace in an historic preservation district. A new urban renewal plan was prepared that designated each structure in the area as a candidate for either mandatory or optional preservation. An area of Sacramento, California's Capitol Mall

Riverfront project was designated from the outset as an historic area, but clearance for a freeway demolished many structures that otherwise would have been preserved.

4. The presence of older structures in a predominantly clearance-type urban renewal project may constitute a continuing blighting influence that retards the marketability of abutting cleared land. There is ample evidence from our test case projects that clearance of an adequate area of blighting influences was important to marketability, particularly for non-residential uses. In one city, delayed demolition of blighted structures on a principal CBD "superblock" postponed disposition activity for several years. Developers often remarked, "Let me know when you're ready to sell the land."

Although demolition has been completed in most older nonresidential clearance projects, there are isolated examples of structures remaining that are blight-inducing. In Sacramento, for example, an old hotel in the prime commercial area had initially been proposed for rehabilitation under an owner-participation agreement. Subsequently, the firm went out of business, leaving a vacant structure. This building is a blighting influence, but it is not in LPA ownership and no funds exist for acquisition and/or rehabilitation.

The most pronounced example of continued blight as a retardant to marketability was noted in one of our test case cities in the southeastern United States. In that instance, Demolition activities lagged far behind acquisition and relocation. By the end of the fourth year, only 40 percent of the acquired structures had been demolished, compared to nearly 100 percent in most other cities examined. Only 70 percent had been demolished after eight years in execution; and disposition at that time was only about one-fourth complete. Furthermore, little effort had been made to make innovative interim use of the acquired but undemolished structures. This has clearly been a factor contributing to the slow disposition rate.

- 5A. Successful rehabilitation for the private market requires that the rehabilitated structures will generate sufficient revenue to the owner to justify the investment costs in nonresidential and multifamily residential structures. Considerable interest has been

generated in this type of redevelopment in recent years. In "Old Sacramento," part of the city's CBD urban renewal project, the LPA has acquired rehabilitatable structures and is selling them to private developers for reuse for retail stores, restaurants, and office space in keeping with an early "Frontier" theme. This is also occurring with the historic market structures in the Waterfront project in Boston. There are numerous examples of private market rehabilitation of nonresidential structures, including Ghirardelli Square and The Cannery in San Francisco, the proposed "Victorian Row" in Oakland, and Seattle's Pioneer Square.

Private market financing of rehabilitation of single-family dwellings is often difficult in urban renewal project areas because the areas are often stigmatized and the creditworthiness of potential borrowers frequently does not meet the standards of lenders. Consequently, successful rehabilitation in these areas has often required a companion program of loans and grants for more marginal or ineligible borrowers. The moratorium on the federal rehabilitation programs effectively stymied action in rehabilitation of neighborhoods in all the test case cities we examined, but many communities are now formulating local programs of this type. The favorable acquisition costs and relocation payments (as a result of the 1970 Uniform Relocation Act) have made it more advantageous for households in many neighborhoods to seek to be displaced than to use more limited rehabilitation loans or grants.

- 5B. Where private market rehabilitation is not feasible, it may still be desirable for the Agency to sponsor rehabilitation. The costs of rehabilitation for some structures in Old Sacramento, for example, make it impossible for private investors to obtain an adequate return on their investments. The LPA there has already made use of some "historic easements" money as a subsidy to investors. In other cases, it will probably be necessary for the LPA to use public funds to rehabilitate the structures with the intent of selling the renewal nonresidential structures to investors on a "turnkey" basis. In all likelihood, some form of public subsidy will be required for the capital investment costs for rehabilitation of the Pike Place market structures in Seattle as well. Among the options being explored are opportunities to make a "profit" on the sale or operation of income-producing ventures on some sites to offset losses on the historic structures.

In other cases, Agencies can acquire and rehabilitate structures as a catalyst to spur the private sector to undertake similar activity. San Francisco has a successful program of this type. Many of its multi-use Victorian structures have been purchased for a low price, rehabilitated with public funds, and re-sold at a profit to private investors, thus yielding funds to buy other rundown structures.

- 5C. One important rationale for retaining structures for future rehabilitation is if it is needed as a relocation resource. In most cities, pressures on the housing market were reduced during the period from 1968 to 1972 because of the very high production of both subsidized and nonsubsidized new residential units. However, in some cities, demolition of presently occupied, substandard structures would create a severe relocation problem as adequate resources are not available. Thus, these structures are needed both as an interim source of housing and, to the extent they are rehabilitatable, as a permanent housing resource.

To achieve rehabilitation, one midwestern city visited by RERC made innovative use of the Uniform Relocation Act. The LPA identifies a household to be relocated through urban renewal or another clearance program and records the space requirements and income capabilities of the household. Then a unit in need of rehabilitation is located that meets the space needs of the subject household. The purchase price, plus rehabilitation costs (estimated by a rehabilitation contractor), are approved as a relocation unit under the Uniform Relocation Act. When the rehabilitation work is completed (often to the specifications of the new owner), the unit is purchased and the household is relocated.

6. Too often, LPAs overlook the opportunity for making interim use of acquired structures that have not yet been demolished and for which there is no near-term use for the cleared site. The actual decision on what type of interim reuse is appropriate depends on tradeoffs among fiscal, social, and public safety, health, and welfare objectives, as described previously. (See Test 9 below.)

Retain Structures as Interim Use until
Disposition is Appropriate

7. If standing structures are interfering with the completion of planned project improvements, they should probably be demolished immediately. The only extenuating circumstance would be if the structures have significant private market rehabilitation potential that would justify either moving them or modifying the project improvements plan to accommodate them.
8. In most instances where acquired structures are so badly dilapidated that they significantly violate the building/housing codes, the buildings should be scheduled for either immediate rehabilitation or immediate demolition. This is in keeping with the LPA's responsibility to protect the public health, safety, and welfare and to avoid the image of being a "slumlord." There are examples, however, where the relocation resources are so limited that the LPA must retain such substandard structures for occupancy. In those situations, the LPA's police power obligations might require expenditures of funds on interim improvements that would not otherwise be justified.
9. Ideally, the LPA should seek to optimize revenues from acquired structures when there is not a present market for the cleared site. The accompanying chart shows a number of interim uses that offer revenue potential. One of the most pervasive findings in our study of urban renewal land disposition was the great difficulty of marketing or sustaining the viable operation of neighborhood shopping centers. In most cases, small business was relocated early in the execution stage; then, when sites were cleared and ready for disposition, LPAs and developers discovered there was no market for retail reuse. The replacement market had vanished by that time, and businesses that had served a vital role in lower-income neighborhoods (like the corner druggist) were gone. In many cases, retention of these businesses as tenants in LPA-owned structures would have been appropriate until a reuse for the site was available. In addition to deriving revenue from existing occupants, it may be possible to procure new occupants at an economic rent, if utilization of the site is not scheduled for three to five years or more.

POTENTIAL INTERIM USES FOR ACQUIRED PROPERTIES

	<u>Potential for Revenue Production</u>	<u>Potential for Mitigation of Maintenance</u>	<u>Potential for Other Public Benefits</u>
<u>STRUCTURES</u>			
Conventional Primary Commercial/Office	X		
"Embryonic" Businesses	X	X	X
Secondary Commercial	X		
Commercial Parking	X	X	
Commercial Recreation/Vending Machines	X		
Warehouse/Goods Storage	X	X	
Temporary Relocation Housing	X		X
Temporary Use by Public Utilities	X		
Billboards	X		
Storefront Churches, Lodges, Unions, Fraternal Organizations		X	X
Community Involvement Center/Meeting Space		X	X
Vocational Schools		X	X
Housing and Home Management Center		X	X
Manpower Training Center, Employment Counseling		X	X
Health or Welfare Service Centers		X	X
Community Recreation/Cultural Center		X	X
Legal Aid Centers		X	X
Art Center/Exhibit Space		X	X
Theater Groups		X	X
Associations, Institutions and Nonprofit Groups	X	X	
Temporary Library Facilities		X	X
Youth Recreation Center		X	X
Senior Citizens Center		X	X
<u>VACANT SITES</u>			
Commercial Surface Parking	X	X	
Open Storage	X	X	
Contractors Yards/Equipment Storage	X	X	
Overflow Parking for Abutting Commercial Uses	X	X	
Overflow Parking for Community Facilities			X
Temporary Relocation Housing (Mobile Homes)		X	X
Portable Classrooms		X	X
Portable Library Facilities		X	X
Corporation Yard		X	X
Carnival, Commercial Recreation (Temporary)	X		
Christmas Tree Lots (Seasonal)	X		
Flea Markets		X	X
Use by Abutting Residential Owners for Garden or Other Purposes		X	X
Pocket Parks		X	X
Open Space		X	X
Gardens		X	X
Playgrounds		X	X

Prepared by Real Estate Research Corporation.

Good opportunities for interim use of nonresidential structures are often available in CBD-oriented projects. In San Jose, California's San Antonio Project, the LPA has pursued an aggressive policy of renting up acquired structures under its "timely demolition program." The LPA endeavors to maintain the existing tenancy in acquired structures, though businesses often are unable to sustain the uncertainty of interim occupancy and a month-to-month lease. The LPA has found that about 75 percent of the acquired store space has been re-rented to different, but similar, types of users: Often these are "embryonic" firms, to whom the below market rental rates (consistent with the short notice of eviction) are very appealing. This may be good social policy, as well as being economically sound, because many of these newer businesses may subsequently be viable enough to occupy the new commercial space when it is built. In the five years of its operation, the LPA has collected \$930,000 in revenues from rentals of commercial space and has incurred about \$300,000 in out-of-pocket expenses. However, it should be noted that a "paper deficit" appears as the LPA makes in lieu property tax payments to the city, which are credited as non-cash grants-in-aid.

Even residential projects can show a "profit" from well-planned property management. In San Jose's Mayfair Project, low-density, single-family existing uses in an area that had originally been proposed for Section 235 housing generate a slight profit. Revenues are in excess of maintenance costs, plus in lieu taxes, and the occupants are offered below market rents consistent with the uncertain tenure.

The San Francisco LPA has had good experience in leasing space in acquired structures to nonprofit organizations of various types. An Old Victorian building in the Western Addition Project serves as a Youth Law Center. The Western Addition Project Area Committee also occupies an old pharmacy storefront in that project area. The advantage to the LPA is that these groups often fix up and maintain the interior space -- and occasionally even paint the outside -- thus retaining the vitality of the project area.

A number of other cities we examined, including Hartford, have derived revenue from interim use of acquired structures for residential and commercial

office uses. Generally, however, the potential for interim use of urban renewal land and buildings is not examined as thoroughly as it might be.

10. It is not always necessary that an interim use derive economic rent. Simply shifting the responsibility for maintenance (or a portion of it) from the LPA to the tenant can be beneficial. The preceding chart includes a number of examples of potential occupancy (primarily to nonprofit corporations; civic, social, or community organizations; or other governmental agencies) that might provide some opportunity for limited revenue but, more importantly, could shift maintenance responsibilities and costs. A number of cities, including Boston, have adopted the practice of acquiring properties and leasing them for use to such groups until a market is available for the cleared structure. San Jose has a policy of renting space to nonprofit organizations for only \$25 per month, while shifting some of the maintenance responsibility to the tenant.
11. Even if there are not opportunities for deriving revenue or of shifting maintenance responsibilities to others, it may be in the public interest to make available space in structures acquired but not yet demolished. In addition to those quasipublic and public uses shown on the preceding chart, it may be desirable to permit continued occupancy for housing use where relocation resources are limited.

- Demolish Structures and Maintain Sites in Good Condition

12. Once the structures are demolished, the LPA must be prepared to assume the costs and responsibilities of maintaining vacant sites. This is essential to keep the land marketable. Often the cost of maintaining vacant sites is less than maintaining structures, particularly occupied structures with a number of deficiencies that require extraordinary maintenance. Nevertheless, LPAs should recognize the importance of good site maintenance. Specifically:
 - Trash should be removed regularly.
 - Sites should be graded and planted with grass, spread with wood chips, or otherwise surfaced in a neat and orderly manner. Regular maintenance should be provided to keep weeds under control.

EXAMPLES OF APPROPRIATE AND
INAPPROPRIATE SITE MAINTENANCE



Note: Site has been graded, trash removed,
and fence installed



Weed- and debris-filled lots

-- Sites, curbs, and on-site utilities should be in good condition.

Poor site maintenance was observed in a number of the projects we examined. Some cities, however, do an exceptionally good job: St. Paul, for example, seeds and sods all its vacant sites as a matter of policy. San Francisco has also made it a practice to seed and plant most of its areas, including throwing poppy seeds on sites in Diamond Heights. Sacramento has an automatic provision for weed control, as the LPA properties fall under the city weed abatement ordinance. The city performs the cutting and bills the LPA. In San Francisco, labor unions have a weed abatement contract.

13. Opportunities exist to derive revenue from vacant sites as well as structures, and these should be optimized. Examples of potential uses for vacant sites are also shown on the preceding chart. One of the more frequently used revenue producers is commercial surface parking. A number of cities we examined, including Hartford, Tulsa, and Sacramento, derived revenue from this type of interim use. Sacramento has been very successful with parking lots in their downtown project. The lots provide enough revenue to cover all the costs of maintenance for the CBD property management program and still yield a "profit." The LPA made a capital investment in surfacing and landscaping, but some savings were achieved on the latter by using students through a local work-study program. Oakland is using commercial parking on an interim basis in its Center City (subsidized rates are available for city staff). San Jose, in its San Antonio project, leases a vacant site near San Jose State University for student parking. The ground lease to the operator was at a below market rate, allowing him to pass on the savings to encourage student support of the retail and other activities in the revitalized Central Business District. San Francisco has leased a parking site in the Golden Gateway project for 11 cents per square foot. The operator has assumed the cost of the surfacing, striping, and fencing required for operation.
14. As with structures, it may be desirable to allow interim use of vacant sites where maintenance responsibilities can be shifted to others. For example, a vacant parcel abutting a commercial establishment might yield revenue for parking purposes; yet a similar lot next to a church might not, but the

church might maintain the lot for parking and relieve the pressure on city streets.

Sometimes vacant lots can be utilized for pocket parks, playgrounds, gardens, or open space and the maintenance responsibility can often be shifted to others. For example, San Francisco's LPA donated a site adjacent to an elderly housing project in Yerba Buena to a senior citizens garden club for interim use. The club has planted the site and maintains it regularly.

15. Whether or not revenue can be obtained or maintenance responsibilities shifted, it is often desirable for the LPA to develop recreation space for community use on an interim basis. Many communities have done this, including St. Paul and San Francisco. The latter city has developed several pocket parks in the Western Addition Project and paid for such improvements as benches, footbridges, planters, and landscaping from project funds; they are maintained regularly. The labor for installing the improvements was provided by joint participation with manpower training programs. In Oakland's Acorn Project, interim recreation space -- a putting green -- was provided on a vacant site until the block was disposed of for a neighborhood shopping center.

CITIZEN PARTICIPATION

A. Statement of the Problem

Effective citizen participation in the urban renewal planning and decision-making process may contribute to the successful implementation of a project. Ineffective citizen participation can result in a breakdown in communications that may degenerate into open hostility and lawsuits that can delay urban renewal projects for long periods of time.

In the early years of the renewal program, very few LPAs established effective communication channels in the communities with which they were involved, especially those most impacted by relocation from project areas. This resulted, especially in those areas in which "slum clearance" was proposed to make way for higher nonresidential or middle-income or luxury residential uses, in rather severe dislocations and significant social consequences. These impacts were even more acute before passage of the 1970 Uniform Relocation Assistance Act. As a consequence of the political impact of some of the "heavy handed" renewal approaches and other factors, the law and administrative procedures were changed to require LPAs to establish Project Area Committees. As stated in the Urban Renewal Handbook, the objectives of citizen participation in urban renewal are:

"Citizens should have clear and direct access to decision-making in all stages of the urban renewal process in order to achieve:

- a. More accurate determination of needs projects should meet and the development of policies and programs responsive and relevant to those needs.
- b. Involvement by citizens in the development and execution of policies and programs in order to further their own growth and development.
- c. Firmer commitment of citizens to projects."

Thus, since about 1969, LPAs have been required to establish Project Area Committees (PACs) and report to HUD on "the activities of the PAC during planning, . . . types of issues dealt with; technical assistance rendered to it. . . . and the expected role of the PAC during project execution." LPAs were to establish PACs that are "representative of a fair cross section of the residents of the urban renewal area." Technical assistance provided by the LPA to PACs is an eligible project cost. In project areas that overlapped Model Cities areas, the PAC requirement was superseded by the Model Cities citizen participation structure. The requirement for PACs applied to most older conventional projects and to newer NDP projects established after the Housing Act of 1968.

Despite these requirements, an Urban Renewal Demonstration Project by the National Urban League* found that "the great majority of PACs are weak, moribund or no longer exist. This overriding fact testifies to the failure of urban renewal agencies and HUD to take citizen participation seriously -- either to encourage its development or to use it effectively." Many communities have encountered citizen resistance that is delaying completion of ongoing projects and may create an unfavorable political climate that may seriously limit the ability to undertake effective redevelopment in the future.

* Toward Effective Citizen Participation in Urban Renewal, A Report of the National Urban League Urban Renewal Demonstration Project. This report is "an account of the experience, findings and recommendations of an Urban Renewal Demonstration Project conducted by the National Urban League, June 1971-June 1973. The project provided technical assistance to Project Area Committees in five demonstration cities, helping the citizens' groups participate more effectively in urban renewal through decision-making experience in land use planning and relocation practices."

B. Basic Strategy Alternatives

The basic alternative strategies for dealing with the problem of ineffective citizen participation that is preventing the expeditious execution of ongoing urban renewal projects are as follows:

- Increase Citizen Participation -- Sometimes greater community support for an urban renewal project can be encouraged by improved communication and involvement of citizen groups. This alternative involves "breathing new life" into moribund PACs and other interested community groups.
- Restructure Citizen Participation -- Often because of the extensive time period involved from initial planning through execution, particularly in a complex nonresidential project, the initial objectives of the plan change over time. Different participants, often representing conflicting or contradictory points of view, become spokespersons for the PAC at different times. To take into account these changes, or for other reasons, restructuring of citizen participation may represent a viable alternative in some cases.
- Change Predominant Reuse or Abandon Project -- Although conflicts can arise over many aspects of the urban renewal process, controversy is often generated over the relative balance between clearance and rehabilitation and the ability to provide adequate relocation housing, particularly within the project boundaries. This alternative of "last resort" applies where there is a complete breakdown in citizen participation and lawsuits are delaying the project. In these instances, it may be necessary to make substantial changes in the proposed reuses or even to abandon the project.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 13 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of ineffective citizen participation read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and

PROBLEM: CITIZEN PARTICIPATION

basic alternatives	tests	findings	specific actions
Increase Citizen Participation	1. Has there been active citizen participation in project planning and execution?	Yes No	Apply other tests in this set. Evaluate merits of increasing citizen participation and apply Tests 2 and 4 through 11.
	2. Are civic leaders within the project area supportive of the urban renewal plan?	Yes No	Continue to encourage such participation, particularly in activities covered by Tests 2A through 2D. Attempt to generate support. Apply Tests 2A through 2D.
	2A. Have such leaders been involved in planning from inception of the project?	Yes No	Continue such involvements and apply Test 2B. If planning is still underway, increase involvement of community leaders. If planning is completed, hold briefings with community leaders and maintain higher level of communication/idea exchange/participatory decision making.
	2B. Has the LPA kept civic leaders fully informed about renewal activities?	Yes No	Continue to keep civic leaders informed and apply Test 2C. Hold briefings with community leaders and maintain higher level of communication/idea exchange/participatory decision making.
	2C. Have business leaders been encouraged to participate in negotiations with potential redevelopment?	Yes No	Continue such participation but be sure that "united front" is presented to potential redevelopers. Develop such participation.
Restructure Citizen Participation	2D. Have civic leaders attempted to attract nonrenewal funds to the project area?	Yes No	Continue to encourage and provide support for such efforts. Work with civic leaders to generate financial support of supplementary services and activities in project area.
	3. Have Project Area Committees become involved in organizing groups of redevelopers for urban renewal sites?	Yes No	Apply other tests in this set. Consider providing technical and/or financial assistance to PACs to coordinate redevelopment by firms/organizations within the project or city.
	4. Is the present citizen participation representative of urban renewal area businesses and residents?	Yes No	Apply other tests in this set. Reevaluate composition of project residents and owners and attempt to improve representativeness.
	5. Have project area citizens been critical of urban renewal activities?	Yes No	Apply Test 5A. Apply other tests in this set.
	5A. Are the criticisms valid?	Yes No	Apply Tests 5B and 5C. Develop public information program to correct misconceptions.
	5B. Are the criticisms focused upon past actions that are no longer relevant?	Yes No	Attempt to improve public understanding of current renewal program. Attempt to remedy valid criticisms within control of LPA management.
	5C. Is there effective communication between the LPA and local citizens?	Yes No	Apply other tests in this set. Develop closer person-to-person communication with local leaders. Consider publishing a newsletter describing urban renewal planning/execution/disposition activities to date, and future plans for area. Organize series of information meetings in neighborhood.

PROBLEM: CITIZEN PARTICIPATION

basic alternatives	tests	findings	specific actions
<p>Change Predominant Reuse or Abandon Project</p>	6. Does the Project Area Committee have veto power over urban renewal disposition decisions?	Yes No	Consider changing decision-making procedures. Do not change procedures.
	7. Have conflicting objectives between the LPA and citizens delayed project land disposition?	Yes No	Consider possible compromises and try to use other community leaders as arbitrators. Apply other tests in this set.
	8. Have conflicting interests within citizens groups stalemated disposition activity?	Yes No	Consider providing technical assistance and mediation to citizen groups. If the project area population is heterogeneous, consider creating multiple PACs for different geographic areas. Apply other tests in this set.
	9. Has the LPA provided financial assistance to the Project Area Committee?	Yes No	Continue such assistance. Consider provision of funds for full- or part-time salaries for PAC staff, especially if the urban renewal project is large and/or complex.
	10. Has the LPA considered using strong local institutions to provide technical services or to mediate with citizen groups?	Yes No	Apply other tests in this set. Consider encouraging local institutions to provide services--on a voluntary or subsidized basis (e.g., relocation, day care, clinics, facility expansion).
	11. Has the LPA made maximum use of project area residents and businesses for technical and professional services?	Yes No	Continue this policy. Consider making use of local persons for interviewing, surveying, architecture and planning, maintenance, etc.
	12. Have legal actions been initiated by citizens against the project?	Yes No	Apply Test 12A. Apply other tests in this set.
	12A. Has demolition been completed?	Yes No	Wait until case is resolved. Consider changing land reuse designation. Consider early closeout if little acquisition has occurred. Land bank acquired property.
	12B. Are legal problems likely to be long-term?	Yes No	Consider early closeout. Wait until case is resolved and proceed accordingly.
	13. Is the Project Area Committee opposing extensive residential relocation that is required to complete the project?	Yes No	Apply Test 13A. Apply other tests in this set.
	13A. Are plans completed for one-for-one replacement housing?	Yes No	Apply Test 13B. Work with Project Area Committee and local institutions to find/create sufficient housing to accomplish relocation.
Prepared by Real Estate Research Corporation and RTKL, Inc.	13B. Can the planned residential relocation be accomplished within the project boundaries?	Yes No	Carry out such relocation and apply Test 13C. Reexamine relocation requirements and revise plan to make it more acceptable to the Project Area Committee.
	13C. Can the remaining relocation be completed in a timely fashion?	Yes No	Complete relocation. Consider revising plan to reduce relocation requirements.

self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Citizen Participation." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as subheadings to clarify the context of the discussion of the tests.

● Increase Citizen Participation

1. The National Urban League's Demonstration Project found that effective PACs "have been in existence for a relatively long time . . . /and/ almost all arose out of longstanding neighborhood organizations that had been involved in community planning, social services, recreation or other neighborhood civic concerns." Thus, projects located in such neighborhoods are more likely to have active citizen participation, regardless of any positive action taken by the LPA. On the other hand, the LPA can be expected to have only limited success in creating artificial citizen participation where a community of interest is lacking, and then only after a longer time period.

Because of the long time periods involved, few conventional projects were found to have consistently active citizen participation from the initial planning stage through execution, except perhaps non-residential CBD-oriented projects where property owners and business leaders have a vested economic interest in successful renewal.

Conflicts arose with citizens groups in the execution stages of one major east coast city's projects because of their inadequate participation in initial planning. On the other hand, Tulsa's Downtown Northwest project was initiated by some of the city's more prominent business leaders and financial institutions, which still remain influential today in the later stages of disposition. Neighborhood Development Program (NDP) projects are more likely to have active citizen participation in both planning and execution. This is a result of the new HUD requirements for citizen participation and the simultaneousness of planning and execution activities characteristic in this program. Also, to the extent that NDP project areas overlapped Model Cities neighborhoods, active, well-financed citizen participation organizations were already in place.

- 2A. Support for the renewal plan by civic leaders within the project area is usually directly related to their degree of involvement from the initial planning stage. The North Tulsa community had been planned by staff planners in the mid-1960's for medium-density development, including new multifamily structures, with the objective of providing population support for the Central Business District. Subsequently, when the project was converted to NDP and an active citizen participation mechanism was established, the community sought and ultimately secured a revision of the plan to maintain the present densities and basic single-family lot pattern. Although there have been many changes in community leadership and considerable apathy, the revised plan now has basic community support.

On the other hand, one city's downtown project exemplifies the way in which ineffective citizen participation in the initial planning can lead to controversy and delay in the execution stage. Civic leaders resident in the area (and immediately adjacent to it) were not adequately accounted for initially. This has resulted in lawsuits, which may cause revisions in the land use plan.

- 2B. Lack of support is often caused by real or perceived inability of the LPA to keep civic leaders adequately informed about renewal activities. One of the precipitating acts by one city's LPA that led to demonstrations by a civic association was the demolition of 35 buildings. Communication failure was also at the root of controversy in a midwestern project, where it was alleged that the LPA had its own "secret plan" for the area and had not talked with the Model Cities residents.

One western LPA took a classic step in relieving the burdens of communication between the LPA and a neighborhood group by hiring one of the more activist civic leaders and making him project coordinator for one of its residential projects. In this role, he has been able to keep the community fully informed about all planning and execution activities in the neighborhood and has helped to keep the plan realistic by identifying the actions that are politically acceptable.

PAC leaders are often very helpful to the LPA when kept adequately informed. In Tulsa's North Tulsa NDP and in St. Paul's Summit-University NDP, they were helpful in working with the LPA to identify hardship and "opportunity" acquisition sites, to communicate with residents about rehabilitation and relocation benefits, and to identify the types of public facilities and new housing that would achieve community acceptance. Assistance in identifying community-acceptable housing was provided to the LPA by the Smedley project PAC in Chester, Pennsylvania. The PACs in Tampa's NDP Area #1 have provided indirect assistance to the LPA in land disposition of residential sites.

In some cities, including St. Paul, proposals for redevelopment sites are discussed with the PAC. If agreement is reached in St. Paul, a joint LPA-PAC report is submitted to the governing board. If not, separate reports are filed with supporting documentation.

- 2C. We found wide variation in the degree of involvement of local business leaders in the process of identifying and negotiating with redevelopers for disposition sites. In a few cities, there was almost no communication or involvement between the LPA and the business community or establishment. (These cities had all experienced very slow land disposition.) In Tulsa's Downtown Northwest (CBD) project, members of

the LPA board were representatives of the financial and property-owner interests and they actively pursued developers. Indeed, one of the financial institutions ultimately became a partner in the development that has a major nine-block area under contract for commercial redevelopment. In St. Paul's Capital Centre (CBD) project, the LPA strongly encouraged participation of the business community, and the project enjoyed full, if often behind-the-scenes, support.

- 2D. Civic leaders may be especially influential in attracting nonrenewal funds to the project area, which will enhance the overall environment and improve the catalytic impact of renewal. In Tulsa's CBD, a group of civic leaders agreed to pledge \$7 million in private subscriptions if the city would provide matching public funds for a new Civic Theater. The city rallied to the challenge and a bond issue was passed for this use, which absorbed an important disposition parcel in the downtown project.

In one NDP project we studied, civic leaders -- principally a city councilman representing the area -- have been responsible for channeling nonrenewal funds to the area for community facilities, and (as one of four target neighborhoods) a city subsidy for an assessment district for neighborhood physical project improvements. These efforts are an attempt to demonstrate the city's commitment to neighborhood preservation and to compensate for limited and declining federal funds.

A good example of a local effort to optimize urban renewal funds with nonrenewal funds is in St. Paul's Thomas-Dale NDP project. Here, at the suggestion of the LPA, the PAC solicited a local foundation that had administrative offices and a child guidance center adjacent to a proposed housing site in the project area. The foundation was persuaded to become the developer of a housing project and, as part of their proposal, they offered a neighborhood center and a full-time housing director to be paid for by the foundation.

3. As pointed out in the National Urban League Demonstration Project, most PACs are weak and ineffective, but they can still make important contributions to the urban renewal planning and execution process and they have done so in many communities. PACs often influence decisions on land use, degree of structural and

layout change, amount of displacement of residents and businesses, future housing resources, community facilities and amenities, and economic opportunities that may be created by renewal. They may monitor relocation, equal opportunity/affirmative action, interim property management, rehabilitation, new construction, and LPA compliance with laws and regulations. More experienced and well-funded PACs could actually carry out certain portions of the urban renewal work under agreement with the LPA -- such things as conducting surveys, preparing all or part of the renewal plan, developing a relocation plan, counseling relocatees, etc. Spinoff activities handled by separate entities may complement and supplement activities of the PAC, including such economic functions as housing corporations, minority banks, co-operatives and business enterprises, and such social functions as day care centers. These activities may contribute indirectly to land disposition, although the chief concern of PACs is seldom, if ever, disposition alone.

In St. Paul's Summit-University NDP project, the PAC was influential in the selection of a local black contractor and church organization to build, own, and manage a subsidized housing project. In the same project, the Community Housing Corporation provides advice to homeowners desiring funds or technical assistance in rehabilitation and participates as a purchaser and seller once rehabilitation is completed.

In terms of citizen involvement in urban renewal, Boston ranks as one of the cities with the oldest and most active groups in the nation. Aggressive citizen groups were instrumental in the late 1950's in the designation of the Washington Park urban renewal project in the Roxbury section, one of the largest clearance residential projects ever undertaken. Citizen groups and the LPA sought out church groups and other organizations that would be eligible as nonprofit sponsors for subsidy housing projects in the area. Similarly, active citizen groups in the South End project have often competed for development sites for housing and other uses, and the PAC has been extensively involved with the LPA in developer selection.

The most direct participation of Project Area Committees in the renewal projects encountered in our study was in Hartford. There, in the South Arsenal neighborhood, the PAC is the tentative developer of the

entire project area. The original neighborhood organization, which became the first neighborhood development corporation in the state of Connecticut, achieved a cohesiveness that enabled it to participate directly in the renewal program. South Arsenal Neighborhood Development Corporation provided inputs to the project planning from the early days of its existence and developed both political and business community support for its activities. Nevertheless, Hartford's experience with a strong PAC also illustrates the difficulties involved in trying to combine community participation with real estate development. Although the inputs of the PAC are extremely helpful in defining local concerns and redevelopment objectives, their unfamiliarity with actual development frequently delays the redevelopment process. This has necessitated the participation of the business community-supported Greater Hartford Development Corporation (DevCo) as a joint venture partner that supplies development management expertise.

- Restructure Citizen Participation

4. One of the inherent characteristics of neighborhood organizations is constant turnover in participation and leadership. This plays havoc with continuity in goals, objectives, and tactics for implementation of complex projects such as urban renewal. In Cincinnati's Avondale-Coryville project, for example, the citizen's group changed membership often during the life of the project, which required reorientation and resulted in occasional philosophical changes that delayed the project considerably.

As pointed out in the National Urban League report, "successful PACs have been careful to gain community-wide interest, acceptance, and support for their activities PACs that have maintained close contact and credibility with the renewal community have constantly involved residents in planning and decision-making through subcommittees and mass meetings. . . . Community support is often crucial during disagreements between the PAC and the LPA. A favorite LPA ploy is to question the 'representativeness' of the PAC: to try to give the impression that the PAC really does not represent the community (which unfortunately is sometimes the case)."

There is no single way for an LPA to establish a "representative" PAC, or to ensure that it remains

representative over time. The National Urban League study identified at least four major ways in which these groups can be established:

- Designate an existing community organization.
- Create a Committee from representatives of a number of community organizations.
- Hold a general (at-large) election among residents of the project area.
- Elect representatives based on geographical subdivisions of the area (Model Cities model).

"From observations in the field," the Urban League points out, "the PAC functions better if it is created from an existing, credible neighborhood organization."

In our test case studies, we noted a number of examples of lack of representativeness. In one project where the Model Cities organization was the PAC, its boundaries were smaller than the urban renewal project boundaries. The PAC therefore excluded white businessmen along a commercial street; their interests, if exercised, would have diluted the power of the controlling group.

The supercomplexity of representativeness among citizen participants is illustrated by one east coast residential project. The diversity of groups having an interest in the urban renewal plan there is indicated by the following list:

- The lodging house tenants (about 15,000 persons in 1965), the major proportion of whom are poor and elderly, both black and white. This group played a small role in the politics of the urban renewal program.
- The lodging house owners (about 1,000), of whom half were resident-owners. They were concerned with difficulties of bringing their structures up to a desired standard while maintaining the lodging houses.
- The "urban villagers," consisting of a number of blue collar ethnic enclaves: Italian, Syrian, Negro, Chinese.

- The rural newcomers, poor arrivals from the rural south or Puerto Rico, who were too alienated to become involved in the planning stage, but who would suffer most during the execution stage, insofar as they were concentrated in the demolition areas.
- The urbanites -- middle class professionals -- who were rehabilitating row houses for single-family use or investment with high-income tenants. This group was to conflict in every stage of the project with those who were promoting the interests of lower income residents.
- The "problem people" -- prostitutes and skid row inhabitants -- whose presence affected the project area but who were not directly involved in the plan.

In part, this city created its own problem with this project by encompassing an enormous area that extended beyond the perceived boundary of the neighborhood. An alternative approach is that of Hartford, which has created numerous smaller projects that more precisely follow traditional neighborhood boundaries -- or portions of them.

- 5A. Over the years, criticisms of the urban renewal program by PACs have in many instances been valid. Excessive zeal for blight removal in some communities did in fact cause severe residential and business dislocation, which was only compensated for adequately with the Uniform Relocation Act of 1970. Excessive reliance upon noncash credits and other financing and administrative factors often resulted in projects of inappropriate size or with inappropriate modes of blight treatment. Operation of the national program varies widely with the local community context: its history, institutional structure, economic base, power structure, and political traditions. To operate a successful program, LPAs must be able to respond to local needs and desires. Where criticism of local administration of the program is valid, the director and his or her policy board must be responsive and make constructive changes.
- 5B. Too often citizen criticisms are a result of an LPA's lack of effective communication of changes that have been made to overcome an earlier point of contention. Criticism with respect to "heavyhanded" treatment may no longer be valid, for example, since ample compensation

is now available. Similarly, arguments based on previous excesses in acquisition and clearance may no longer be relevant with the HUD restrictions on acquisition and the rapidly declining federal financial support for the program. Any such out-of-date criticisms should be laid to rest through public relations efforts of the Agency.

- 5C. In almost all instances, more effective communication can and should be developed between the LPA and PACs to reduce criticism and, more importantly, to constructively contribute to the expeditious completion of beneficial projects. As pointed out by the National Urban League study: "A PAC's relationship with the LPA is perhaps the most crucial of all variables. Many PACs persist despite LPA discouragement, harassment and indifference. But when PACs and LPAs work together despite differences, a better, more sensitive, more responsive urban renewal plan usually results."
6. The degree to which PACs influence the decision-making process with respect to developer selection varies widely. One of the strongest power positions of a citizens group encountered in RERC's test case cities was in an eastern city. Renewal in the project was destined to experience considerable delay because the multiuse project was huge and complex and was located in a diverse community in a complicated, large city. The extension to the PAC of veto powers over disposition decisions was the result of a compromise initiated by the Mayor's office to overcome a serious breakdown in communication between the renewal agency and the community. An essential element of the compromise was that the PAC be formally constituted and representative, with delegates elected from the community. The PAC election was contested and wrangling continues. This arrangement has caused delays in a number of disposition decisions, not only among competing groups for housing sites, but for nonresidential uses that the PAC generally opposes. This LPA/PAC decision-making model is not one to be emulated.
7. Conflicting objectives between the LPA and the PAC have delayed land disposition in a number of cities. In addition to the controversy discussed above, conflicts have also erupted in another project in the same city. This project had its genesis through the business community, principally the Chamber of Commerce. Through a nonprofit corporate subsidiary of

the Chamber of Commerce, the plan that was prepared called for a substantial increase in residential uses in an area that was formerly predominantly nonresidential. In 1970, because of the new citizen participation requirement, the LPA held an election in the project area and the citizens voted to recognize one group as the PAC and endowed with veto power. The LPA refused to comply with the election results. The PAC staged a demonstration in 1972 and subsequently filed suit. The suit was resolved in 1973 by establishing a restudy committee of local residents and the LPA to revise the plan. The probable outcome will be to increase further the amount of residential reuse, open space, and community facilities to serve the neighborhood. This replanning will further delay land disposition.

This city represents an extreme case in the breakdown of LPA/PAC cooperation, but conflicts in objectives and tactics are common in most cities and they can seriously retard land disposition. For example, in one NDP project RERC studied, the PAC's goal was to acquire as many substandard structures as possible from owners that wanted to sell. This "hardship" acquisition permitted the owners to benefit from favorable relocation payments. However, it also resulted in a disposition inventory of scattered residential lots that are expensive to maintain and difficult to market.

Conflict often arises between the LPA and PAC over one of the most fundamental issues of urban renewal -- replacement of deteriorated housing with higher and better commercial uses. As pointed out in the National Urban League study, the proposed reuse for the Kansas Street project in Memphis results in a net decline of 75 acres of housing use and replaces it with industrial use. Although major housing reuse is proposed by the LPA, the Urban League felt that too little attention was given to the opportunity for rehabilitation. In this instance, however, the PAC is weak and ineffective and the LPA-initiated plan remains substantially unchanged.

8. Conflicting interests among citizens groups within the redevelopment area may also stalemate urban renewal project land disposition. Residents of St. Paul's Summit-University area often challenged Model Cities' representativeness as PAC for this large, heterogeneous neighborhood of homes and businesses. For

about two years, the LPA capitulated to Model Cities, which used the time to prepare their own plan. Considerable disagreement arose over that plan, and the result was a compromise plan worked out between LPA and Model Cities planners.

Although there are many examples of conflict among citizen groups, the city discussed above may well be the classic case. In terms of the politics of community participation, the major conflict developed between the urbanites (middle-class professionals) and representatives of the poorer residents. The latter would clearly be displaced by implementation of a plan founded on development of a higher income, in-town neighborhood. Consequently, there has been a constant battle from 1963 to the present time. The battle has resulted in a stream of compromises that satisfied neither side. The LPA has acted in the role of arbitrator between the competing groups. Although there were two major camps on this issue, there were a number of factions vying for control within each camp. Dividing the area and creating two or more PACs might have been an appropriate action initially; however, it is doubtful that this could be successfully accomplished now. As pointed out by the National Urban League study, "Arbitrary project boundaries sometimes coincide with those of organized neighborhoods. When they do not, successful PAC organizations are less likely."

9. The National Urban League found that successful PACs, in addition to having diverse membership and leadership and wide community acceptance, are funded either by the LPA or other sources. Many LPAs look negatively upon the funding of PACs because effective citizen organizations can create considerable problems for an Agency. On the other hand, with adequate technical assistance, an effective education process can be achieved that can ultimately result in stronger support and execution of a project plan -- especially in residential neighborhoods.

Among the better funded PACs is San Francisco's Western Addition A-II, which has an annual budget of \$180,000. The National Urban League describes it as "vibrantly alive, viewing itself as in direct confrontation with, and a natural adversary of, the renewal agency." Despite its "maturity and sophistication," the PAC was primarily occupied with monitoring relocation and affirmative action plans and with housekeeping. The PAC has not yet assumed a more aggressive role by

actually participating in such spinoff effects of the program as housing management. Still, the effectiveness of the PAC in establishing lines of communication between the LPA and the community is probably contributing to the overall success of this project, particularly the rehabilitation efforts, which in turn improve the overall appearance of the neighborhood and thereby enhance marketability of cleared sites.

In contrast, the Beale Street II and Kansas Street PACs in Memphis, which were in the National Urban League demonstration, were unfunded and ineffective. Although there is no evidence in Memphis of the PAC "rocking the LPA's boat," there is also no evidence that they contributed in any meaningful way to the positive execution of a beneficial project. Thus, though community situations vary widely, financial assistance to help create or sustain viable PACs may have long-run payoffs in terms of support for the urban renewal project, which may translate into improved attitudes toward the area, removal of stigma and improvement in the rate of land disposition.

10. Often the LPA can use the skills of existing established agencies or institutions to provide technical services or to mediate with citizens groups. In St. Paul's Thomas-Dale project, the LPA contracted with the Community Health and Welfare Planning Council, a citywide organization composed of representatives of many social agencies, to plan and carry out the citizens participation portion of the NDP plan. The Council created a temporary Steering Committee composed of Thomas-Dale residents. The Steering Committee decided to hold an election to select members of the Thomas-Dale Development Council, which became the PAC. The area was divided into three sections and two representatives were elected from each. Each year of the NDP, major planning proposals are submitted to residents in a communitywide referendum.

Technical services to PACs may also be available from such other organizations as social service agencies, legal aid programs, labor organizations, churches, or other voluntary organizations. Lawyers from Neighborhood Legal Services offices played vital roles in PACs examined by the National Urban League in Yonkers, New York; Oklahoma City, Oklahoma; Memphis, Tennessee; and Atlanta, Georgia.

In Sacramento's Alkali Flat Project, the City Planning Department provided planning services necessary for

preparation of the NDP application, and helped the LPA in structuring the PAC. In Hartford, a State Department of Community Affairs is empowered to provide financial assistance to nonprofit community housing development corporations to provide low- and moderate-income housing. This assistance takes the form of loans and grants to develop plans for housing and to administer social service programs in behalf of the occupants. Developers of the South Arsenal, Van Block, and Barbour-Charlotte projects all received such state assistance.

One of the most direct forms of technical assistance to PACs is also illustrated by the Hartford experience. The South Arsenal project, which is being developed by the PAC, has been assisted by DevCo as a joint venture partner in the redevelopment. DevCo is the Greater Hartford Development Corporation which, together with the Greater Hartford Process, Inc. (with the full backing of that city's huge insurance industry), has been participating in a total program of community development in the Hartford Region.

11. An LPA can frequently make use of technical and professional services available from residents or businesses in the project area to assist in project implementation. In nonresidential, CBD-oriented projects in particular, local businessmen and representatives of financial institutions often contribute their professional and technical services to initiate new development. Financial institutions may provide technical services, for example, in directing developers to loan sources or otherwise "packaging" their proposals.

PACs in low-income residential areas seldom have extensive professional experience to draw upon within the resident population, but they may also overlook opportunities that are present. An owner-architect in Oakland's "Victorian Row" was instrumental, for example, in stimulating planning for a major historic preservation project abutting that city's Center City urban renewal project.

According to the National Urban League report, many PACs that have been organized and funded for some time and have developed sophistication could logically carry out technical functions under contract to the LPA; however, few have actually done so. PACs may be able to provide an especially useful role in identifying "real" relocation needs and problems and in

articulating viable solutions. They may also be able to provide the type of followup on relocation dispersion that is essential for appropriate future community redevelopment planning.

- Change Predominant Reuse or Abandon Project

- 12A. In the early days of the urban renewal program, the constitutionality of the urban renewal program and process was challenged a number of times. Such litigation slowed the start of execution in such projects as Tacoma's Fawcett, Tulsa's Downtown Northwest, and Evansville, Indiana's Riverfront projects. Except for condemnation cases concerning particular acquisition parcels, there have been few cases of major lawsuits effectively challenging urban renewal projects once acquisition and demolition have begun. Those that do arise typically relate to disagreement over the type of treatment and reuse (as in Boston's Waterfront conflict) or the adequacy of the relocation plan (as in San Francisco's Yerba Buena project).
- 12B. Some particularly controversial projects may be expected to encounter extensive delays due to legal actions. No sooner had the suit been resolved with respect to Yerba Buena's relocation plan than another was filed requiring an Environmental Impact Statement. This report has been prepared and found adequate, so the project is proceeding. However, negative sentiment is so strong that it is possible that there will be future challenges at each remaining stage of execution.

Environmental legislation may provide a means for those opposed to urban renewal generally, or to specific reuse plans, to challenge projects in execution. For example, the Environmental Protection Agency's stringent standards on air pollution control may require significant revision of plans for massive parking structures or other uses involving large concentrations of parked cars. This situation is imminent in several cities we examined. Another area of potential legal conflict relates to historic preservation and the demolition of protected structures. In California, the Coastal Commission review body has jurisdiction over all lands, including urban renewal projects, within a certain distance of the shoreline. Reviews by this agency have already delayed projects in Seaside and Monterey, and they provide an opportunity for legal action by dissatisfied citizens or other agencies. Depending upon their

execution status, projects anticipating long legal delays should probably be abandoned or be scheduled for early closeout.

- 13A. To compensate for some of the abuses in the early years of the urban renewal program, legislation passed in 1968 requires one-for-one relocation housing replacement. Yet the adequacy of the relocation plan to achieve this goal may be challenged, as it was in one major west coast city.
- 13B. Because the initial relocation plan for one major city was deficient, the city's LPA revised it to incorporate relocation housing within the project for the single nonelderly men who represented the group most significantly impacted by the redevelopment plan. The balance of the displacees were relocated to other sections of the city (thereby creating housing pressure and accelerating blighting conditions there).
- 13C. Agreements in the settlement of a west coast city's suit involved a plan for the appropriate staging of relocation and demolition activities to accommodate the needs of the relocatees. The experience in this project and in other similar situations has resulted in more sensitivity by many agencies to the problems of relocation brought on by urban renewal. The San Jose LPA, for example, now operates on a "timely demolition" program, whereby acquired structures are maintained and rented until they are required to be demolished for marketing of a cleared site. This not only permits more appropriately staged relocation of residents and businesses, but provides continued revenue from interim property management as well. Eugene, Oregon has done an especially effective job of staged demolition/appropriate interim property management in its CBD project.

WHETHER TO OFFER PARCELS TO SINGLE OR MULTIPLE DEVELOPERS

A. Statement of the Problem

One very real problem faced by many renewal agencies is the selection of developers. Should an LPA seek to locate one single developer who will assume responsibility either for a very large parcel, or conceivably an entire renewal project? Conversely, should an LPA seek to involve a number of developers in the same sized piece of land or project? In short, should an Agency put all of its eggs in one basket by selecting one developer, or should the same area be parceled differently and sold to a number of different developers? The answer to this question depends on many factors.

By selecting a single developer to undertake a very large parcel -- or perhaps even an entire urban renewal project -- an LPA increases the risk of failure should problems occur with the selected developer. By selecting several developers to undertake the redevelopment of the same sized area, an LPA spreads the risk, ensuring that the failure of one developer to perform in a suitable and timely fashion will not jeopardize the successful completion of the entire project. On the other hand, selection of a single developer -- particularly one whose overall capabilities, resources, and experience are superior -- may ensure that a project will move towards completion in a more timely and expeditious fashion than would be the case with several less capable developers. This is particularly relevant in large, complex, central business district projects where timing is of the utmost importance to successful land disposition.

Another major consideration that must be assessed realistically concerns the experience and capability of the LPA in overall development management. An Agency with considerable strengths in this area may rightly consider that its own project management capabilities are at least equal, if not superior, to those of any developer. An Agency that does not possess these management capabilities may consider it preferable to deal with one developer, who in turn may involve other developers and essentially coordinate management of much of the project.

B. Basic Strategy Alternatives

Our research has indicated three basic options or alternatives available to an LPA in dealing with this problem. These may be summarized as follows:

- Offer Individual Parcels to Various Developers -- This is generally the most common and widely accepted manner of land disposition, except in certain central business district projects.
- Coordinate Project Development and Offer Parcels Individually -- This implies very strong financial, management, and design capabilities on the part of the LPA, together with a very clear and sharply focused set of ultimate objectives for the project.
- Offer Large Tracts or Groups of Parcels to Single Developers -- This practice, which has not been used extensively in the past, is one that may imply a more limited management role for the LPA than has been traditional.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the 15 tests is stated as a question that can be answered with a "yes" or a "no." In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of whether to offer parcels to single or multiple developers read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in

PROBLEM: WHETHER TO OFFER PARCELS TO SINGLE OR MULTIPLE DEVELOPERS

basic alternatives	tests	findings	specific actions
Offer Individual Parcels to Various Developers	1. Is the vacant land small enough and is the current market adequate for development to be completed in only one phase?	Yes No	Consider disposing of land to single developer. Apply other tests in this set.
	2. Is a single reuse required for the available land?	Yes No	Consider one disposition offering for all land and apply Tests 6 through 15. Apply other tests in this set.
	3. Would disposition of any lesser portion of the property result in small/poorly configured remnants?	Yes No	Dispose of entire property to single developer or reparcel. Apply other tests in this set.
	4. Is an abutting owner the most appropriate user of the land?	Yes No	Attempt to dispose of parcel to abutting owner. Apply other tests in this set.
	5. Is available land contiguous?	Yes No	Consider one disposition offering to single developer and apply Tests 6 through 15. Consider offering parcels to various developers.
Rely on Agency to Coordinate Project Development and Offer Parcels Individually	6. Does the LPA have the financial resources to administer a coordinated development process?	Yes No	Apply other tests in this set. Consider other disposition alternatives.
	7. Does the LPA have the technical capabilities and sufficient staff to coordinate development?	Yes No	Apply other tests in this set. Consider other disposition alternatives.
	8. Does the LPA have the strong support of the city institutional structure so as to coordinate local government/Agency actions, public improvements, and permits and variances?	Yes No	Apply other tests in this set. Consider other disposition alternatives.
	9. Does the LPA have exceptionally persuasive power within the business community?	Yes No	Apply other tests in this set. Consider other disposition alternatives.
	10. Does the LPA have a detailed project plan for integrated development of large sections of the remaining land?	Yes No	Apply other tests in this set. Contract for detailed plan or rely on suggestions in developer proposals.
Offer Large Tracts and Groups of Parcels to Single Developers	11. Has the LPA had successful experience in coordinating complex or multiuse development?	Yes No	Consider coordinating further development. Carefully evaluate the difficulties of undertaking development coordination.
	12. Has the LPA previously dealt successfully with a large-scale developer?	Yes No	Consider encouraging developer(s) to perform further development. Apply other tests in this set.
	13. Have previous disposition offerings indicated a relatively weak reuse market?	Yes No	Do not sell large tracts and groups of parcels to single developers. Apply other tests in this set.
	14. Do interested developers have experience in the city and commitment to the project?	Yes No	Apply other test; in this set. Consider other disposition alternatives.

PROBLEM: WHETHER TO OFFER PARCELS TO SINGLE OR MULTIPLE DEVELOPERS

<u>basic alternatives</u>	<u>tests</u>	<u>findings</u>	<u>specific actions</u>
Prepared by Real Estate Research Corporation and RTKL, Inc.	15. Have large tracts and groups of parcels been test marketed?	Yes No	Consider other disposition alternatives. Make offering and evaluate developer responses; see Chapter 20 on selection process for development proposals.

an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Whether to Offer Parcels to Single or Multiple Developers." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as subheadings to clarify the context of the discussion of the tests.

● Offer Individual Parcels to Various Developers

1. The quantity of land available and the complexity of staging for new construction must be considered in determining whether one developer should play a major role in the development of several parcels. If the available land can be developed in one phase without overburdening the market, one developer would be appropriate. There have been cases in which a national developer conceived a monumental plan that so caught the fancy of local officials that the weak market for the proposed development was ignored or inadequately evaluated. In the case of one riverfront project, a large, multiuse project was to be developed by a single developer who kept the city immobilized for a number of years before withdrawing from the project. Where the current market does not justify a large-scale,

one-time development, it is usually preferable to sell individual parcels in the project to separate developers so as not to lose development opportunities while waiting for a single large developer to perform. Where the market requires careful phasing of development to coincide with growth of market demand, it is generally better to dispose of land phase by phase, rather than to tie up the land at the outset with one developer. Though it may seem that there would be more risk in marketing many parcels to a number of developers than in committing a great deal of land to one long-term developer, experience has demonstrated that this is usually not the case.

2. We found in the projects studied that development of large tracts or several parcels by one developer has been less successful for multiuse than for single-use developments unless the market conditions are unusually strong. In one CBD superblock planned for multiple uses, development probably would have proceeded more rapidly if the land area had been split up among different developers. Near the CBD in the same city, however, a nine-block area was committed to a master developer for a mixed use project. For the area, use of a master developer was judged to be the best policy because there was lack of developer interest but there was a strong market for the final smaller users of completed buildings. This example is atypical -- though many LPAs have delayed disposition in the hopes that a master developer could be attracted to construct an integrated, multiuse project on a superblock. Such developers are rare, especially in inner-city areas. Generally, disposition proceeds more rapidly and effectively when individual developers are concerned with only one reuse.
3. The land being offered may be so configured that there is a strong market for one section of it, but the remainder would be one or more small, poorly configured, or inaccessible remnants that could not be disposed of easily. In such cases it is desirable to dispose of the full offering to a single developer, even though construction could begin immediately if the desirable portion of the land were disposed of separately. If current parcelization is inappropriate, the LPA may wish to consider additional acquisition to create two or more marketable parcels instead of one parcel that is not fully usable.
4. The shape, size, or location of a piece of land may be such as to make the most feasible reuser the

abutting owner. This may be particularly true in an industrial area where a parcel can be used as an incentive for industrial expansion. Some parcels have such limited alternative potential that abutting owners are the only ones who could economically use the land effectively. In such cases, barring major changes in street alignments or reparcelization, attempts should be made to dispose of land to abutting owners.

5. Land offered to a single developer does not necessarily have to be contiguous. In some cases, a single developer may be designated for a highly desirable parcel only if he undertakes development of a less marketable parcel. If the market is weak, however, development of the less desirable parcel may cause delays that are not dissimilar to those that would have occurred if there had been a separate offering. Noncontiguous land has no functional characteristics that make it particularly suitable for a single developer. The experience of the test case projects indicates that development of noncontiguous land proceeds more smoothly if there are separate offerings, particularly if the plan calls for different land uses.

A major exception has been in the development of below-market-interest rate housing for low- and moderate-income households. Noncontiguous properties may be offered to a single developer in order to speed up the processing of paperwork and make use of a federal or state commitment. A single developer that has been designated by the LPA and has had experience in constructing lower cost housing can often proceed with greater speed than a number of separate developers. This also applies to developers of scattered site public housing.

- Rely on Agency to Coordinate Project Development and Offer Parcels Individually

6. The degree to which an LPA may wish to rely on a single major developer and assume the risks that are involved in placing all its eggs in one basket will depend in large part on the financial and technical resources of the Agency. In particular, cities of over 50,000 people that have assumed planning and administrative costs in return for 75 percent federal funding of project expenses may not have the financial resources to coordinate a complex development process and may be better advised to select a single highly skilled developer who can manage the intricacies

of development coordination. If the Agency is highly conscious of its limited administrative budget, the staff could devote its efforts to obtaining various government and citizen approvals and allow the single developer to do most of the planning, coordination, and administration of the development. For non-residential projects, such a procedure requires a particularly strong involvement of the business community in the renewal process, as seen particularly in Hartford. The reliance on major developers to conceive and administer major elements of renewal plans takes some of the initiative away from the LPA for establishing a comprehensive strategy, but it can also enable more rapid development at less cost to the city.

7. In addition to the funding of staff, the LPA should evaluate the technical capability of its staff to coordinate development. If Agency personnel have had little or no experience in development or in the sale and transfer of land, the LPA should consider turning over some development responsibilities to a highly experienced developer who could perhaps coordinate the developments of other individuals within the project area. Staff capabilities of large and small LPAs change over time, often requiring reassessment of the relationship between the Agency and developers. Staff turnover can bring a renewal program to a virtual halt if experienced staff are replaced by persons without development experience. In such cases, one option available to LPAs is to retain outside specialists to serve the same functions, and another is to hand over the responsibilities to developers. In one city, the efforts of a new mayor to take control of the LPA program led to a further incapacity of the LPA staff to deal convincingly with developers. In sum, the LPA director must make an honest evaluation of the experience, capacity, and effectiveness of the staff before undertaking coordination of complex developments.
8. If an LPA is to coordinate project development with a number of different developers working on individual parcels, it must be able to stick to a fairly tight schedule in order to maintain the support of individual developers and to avoid getting mired down in delays. Crucial to its effectiveness is the support that it gets from the political and financial institutions of the city. The LPA must take the lead in coordinating public actions with those of private developers. Public actions may involve planning and

timing the construction of project improvements, obtaining approvals from the planning department, determining the need for variances from local ordinances, and providing special concessions that may be made to developers in the form of tax abatements, provision of parking, access, or assessment considerations. Generating the confidence of developers in the ability of the LPA to deliver on its commitments is of crucial importance in the ongoing disposition of land. Developers are highly sensitive to an atmosphere of uncertainty, which is created if there is not strong support of LPA initiatives by the city government.

9. Closely related to the political effectiveness of the LPA is its reputation in the business community. If the LPA is considering assuming coordinates of the development process, it should be aware that extensive delays will occur if it does not enjoy the support and confidence of the business community. In Waco, Texas, for example, the exceptionally persuasive power of the LPA with the business community enabled it to more rapidly execute disposition of parcels in the Brazos project using a number of individual developers.

City staff changes can undermine an LPA's power in dealing with the business community because there is frequently a relationship between the business community's confidence in the political leadership and its confidence in the LPA leadership. Changes in local political administrations that result in the naming of new LPA directors have often led to reductions in the power of LPAs because established relationships are disrupted. If an LPA does not have solid, direct relationships with the business community, it should consider giving a greater role to a single major developer in the coordination of the development process.

10. If the LPA has carefully worked out a detailed plan that specifies the scheduling and phasing of integrated development of large sections of remaining land, it may feel more confident about accomplishing the desired concept if it retains control of the development of each individual parcel and does not delegate responsibility to a master developer. In Sacramento, California, the LPA maintained control of the development process in Old Sacramento through disposition of land to many individual developers instead of one master developer, which in our estimation resulted in a more carefully coordinated and integrated project. Such LPA control was necessary

because the Agency had to undertake the rehabilitation of some structures that could not feasibly be improved with private financing. The LPA's coordination worked well because there was an excellent integrated plan designed to preserve the historical significance of the project area. In another city that had a carefully integrated plan for a large part of a project, a single master developer was selected; however, the LPA thought in hindsight that it would have preferred to deal directly with the individual developers because there was poor performance on a number of parcels.

11. If the LPA has a history of successful coordination of projects, it may more readily consider further such coordination. However, in cities that have lost experienced staff, past experience of the Agency may be a poor predictor of future successful performance. The LPA should evaluate whether or not the conditions still exist that enabled it to operate successfully in the past. Does it still have the confidence of the political leadership and the business community? Does it still have the staff members who gained experience on earlier projects? If any of these conditions have changed or if the Agency has not had past successful experience in coordination of the development process, it should carefully evaluate the difficulties of such an undertaking in light of the considerations discussed under Tests 6 through 10.

- Offer Large Tracts and Groups of Parcels to Single Developers

12. If the LPA has previously dealt successfully with a large-scale developer and if a large tract or group of parcels is appropriate for unified development, then the LPA should encourage a proposal from such a developer. An LPA can use many different approaches in encouraging a developer to assume responsibility for a group of parcels. In a southern city, a single developer was offered a "bulk-quantity, single-purchaser" discount price for assuming the risk of multiuse development on an entire tract. The total price was less than the sum of the seven blocks as individually appraised. In other cases, developers have been given the flexibility of staged takedown -- for example, 10 percent of the land annually unspecified as to parcel.

Frequently, the change from a parcel-by-parcel disposition strategy to a superblock concept will involve major plan changes that cause delays. To avoid such delays, it is often best to work with the large-scale developer during the conception of the plan. In some cities, a developer has proposed the concept and plan, and the renewal agency has provided the level of support consistent with its skill and resources.

Agencies that have sufficient skills to manage the development process themselves may feel reluctant to turn control over to a single developer. A strategy of choosing to deal with one developer creates a dependency upon him that weakens the Agency's ability to enforce contract compliance. It also increases the LPA's risks concerning nonperformance by the developer since much more acreage is tied to a single disposition contract. For more discussion of pre-disposition nonperformance by developers, see Chapter 15.

13. If previous disposition offerings indicate a relatively weak reuse market, the likelihood of a single developer being able to complete development of a large tract is greatly reduced. This is particularly true in small or medium-sized cities where new construction must be carefully staged to avoid flooding the market. A developer may want to keep his reservation for a large site until market conditions improve, but this type of delay increases the LPA's risk and raises the probability of ultimate failure of the development to materialize. If the market for the proposed reuse is weak, the LPA should consider changing the reuse, landbanking the property until the market improves, or carefully staging the development of individual parcels so as to improve the desirability of the area and meet demand over time.
14. There have been many instances in which developers have agreed to undertake major developments out of a commitment to enhance the downtown, the image of the city, or their corporate image, even when the projects had limited economic feasibility. A major local institution like a bank or insurance company is more likely to see a project through than a developer who comes in from outside the area and has no noneconomic incentives. If a developer is not able to complete a project, all or a portion of the land will revert to the Agency, which will have to begin marketing all over again -- often with partial improvements made on

the property that may limit its reuse potential. A major conclusion from our study is that, in the selection of a large-scale developer, it is preferable to choose one who is locally based and has a strong commitment to the area. A local developer will often stick with a difficult project that might be abandoned by an out-of-town developer.

15. If the Agency has already offered large tracts or groups of parcels without attracting interest from qualified developers, the LPA should consider other disposition alternatives that are more suitable considering the market potential. If offerings have generated strong response, the Agency should attempt to dispose of a superblock. One large development is likely to be more coherent and will have greater impact than the sum of the parts that might otherwise be created by a group of smaller developers. The LPA's coordination with the developer will be easier than with a number of companies, and a large developer bringing wide experience to the project will assume much of the management responsibility. If the land available lends itself to a unified concept, the LPA should consider making such an offering.

24

APPROPRIATE METHOD OF ADVERTISING DISPOSITION PARCELS

A. Statement of the Problem

Current HUD regulations require only that an LPA erect signs on land available for disposition to encourage public interest in acquisition of the property. Prior to the execution of a disposition agreement, the LPA is also required to give public notice of the intention, generally by placing what is normally called a "tombstone" or legal notice in at least one general circulation newspaper in the locality. Neither of these requirements constitutes an effective advertising program.

An LPA must answer three important questions with respect to the advertising of land available for disposition:

1. Is advertising an appropriate sales promotion vehicle?
2. If so, what medium is most appropriate and effective?
3. What agency resources should be allocated to advertising?

Our analysis of renewal activities in 22 cities of varying size indicates a wide range of approaches to advertising strategy, suggesting that no one approach is the ideal one. Some cities have devoted considerable time, effort and resources to

advertising, while others have minimized advertising, preferring to deal with potential developers on a face-to-face basis. Because there has been such a wide range of advertising practices that have met with success, we have generally confined our analysis to what we view as the most crucial and difficult choice; namely, what types of advertising are most effective and most appropriate.

B. Basic Strategy Alternatives

There are three basic alternatives for determining the most appropriate methods of advertising disposition parcels. These may be summarized as follows:

- Undertake a National Advertising Program -- involving the use of national newspapers and trade publications, and implying a substantial budgetary commitment.
- Undertake a Regional Advertising Program -- using regional trade publications and newspapers and implying a less substantial budget for direct advertising.
- Undertake a Local Advertising Program -- using metropolitan newspapers and metropolitan publications. This implies a still less substantial budget for direct advertising.

Tests to determine which of these three alternatives would offer the most appropriate means of dealing with an individual Agency's problem are set forth in the decision tree on the following page. Each of the nine tests is stated as a question that can be answered with a "yes" or a "no". In the right-hand column, we have suggested specific actions to be taken for each of the two possible answers to the test questions.

We recommend that a person evaluating the problem of determining appropriate methods of advertising disposition parcels read through the entire decision tree before deciding upon a specific action to follow. It only takes a few minutes to answer all the questions, and the problem is placed in better perspective when all options are reviewed. Most of the questions are straightforward and self-explanatory and can be answered quickly. However, some of the specific actions are stated in an abbreviated form and may need elaboration before they can be accepted or rejected. Therefore, the rest of the text in this chapter is devoted to discussion of the issues involved in the tests, the actions that could be considered to correct deficiencies and problem situations, and examples of such actions discovered in Real Estate Research Corporation's analysis of urban renewal land disposition across the country.

Please turn to the decision tree before reading further in the text. The remaining paragraphs in this chapter simply elaborate upon the test questions posed in the decision tree.

PROBLEM: DETERMINATION OF APPROPRIATE METHOD OF ADVERTISING DISPOSITION PARCELS

basic alternatives	tests	findings	specific actions
Undertake National Advertising Program	<p>1. Is the offering for residential development?</p> <p>2. Is the offering for a large-scale complex multi-use development requiring a major developer?</p> <p>3. Is the offering for an extremely specific or unusual development appealing to a limited group of developers (e.g., hotels, non-local department stores)?</p> <p>4. Is the offering for a development with very high visibility (nationally)?</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p>	<p>Advertise only locally; apply Tests 7 through 9. Apply other tests in this set.</p> <p>Combine national advertising in trade and general publications with screening of strong local developers. Apply other tests in this set.</p> <p>Consider national advertising in trade journals to supplement direct contacts. Apply other tests in this set.</p> <p>Combine national advertising in trade and general publications with screening of strong local developers. Apply Tests 5 through 9.</p>
Undertake Regional Advertising Program	<p>5. Are local developers interested and qualified?</p> <p>6. Are there unique regional constraints (design, historic, legal, political, etc.) which may be best met by a regional developer?</p>	<p>Yes No</p> <p>Yes No</p>	<p>Consider regional advertising to supplement direct local contacts. Implement regional advertising in trade publications.</p> <p>Direct advertising to carefully defined region. Apply other tests in this set.</p>
Undertake Local Advertising Program	<p>7. Is scale of use specifically suited to local development (residential, etc.)?</p> <p>8. Does project require unusually strong developer commitment (long time span, difficult market, unusual requirements)?</p> <p>9. Does the project require an unusually high level of citizen acceptance (ethnic, geographic considerations)?</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p>	<p>Consider local advertising to supplement direct local contacts. Apply other tests in this set.</p> <p>Consider local advertising to supplement direct local contacts. Apply other tests.</p> <p>Consider local advertising to supplement direct contacts. Apply other tests in this set.</p>
Prepared by Real	Estate Research Corporation and RTKL, Inc.		

C. Specific Observations/Suggestions

The numbering of the following paragraphs matches the numbered tests, or questions, in the decision tree table titled "Determination of Appropriate Method of Advertising Disposition Parcels." Each test is discussed, though the extent of the commentary differs. Some of the questions and suggested actions in the decision tree are obvious and require little explanation. Others are not so clear or involve complicated actions that need to be described in detail. In other cases, the text includes descriptions of specific situations or actions discovered during our research that might be helpful to other cities. We have included as many examples and illustrations as possible of successful tactics and policies adopted by renewal agencies that we visited or have heard about.

Again, the text that follows is directly correlated with the numbered tests in the preceding decision tree. The numbering is consecutive, but the three alternatives are included as subheadings to clarify the context of the discussion of the tests.

● Undertake National Advertising Program

Advertising nationally is the broadest direct way to publicize renewal offerings, since placements in national trade journals and general business publications are widely read by developers throughout the United States. While many agencies have used national media to advertise available parcels, responses have varied considerably, depending on the type of project, location, and project scale. For the most part, we have found that national advertising can be helpful in attracting major developers for unusual or very specific reuses. Although it is difficult to document precisely, we also believe that national advertising can produce indirect benefits by stimulating investor confidence and enhancing local pride in a city's overall renewal program. Nevertheless, it should be remembered that a national advertising program involves substantial budget expenditures. Many types of offerings can be marketed effectively by avoiding national advertising and instead undertaking less expensive local or regional advertising programs.

1. One of the basic characteristics of the real estate sector in the United States is the predominance of small local residential developers. This is because housing markets are highly localized and subject to widely varying local regulations. As a result only a handful of homebuilders have the financial resources and personnel necessary to pursue nationwide development opportunities. While a few cities, such as

Evansville, Indiana, have received strong responses to nationally advertised residential offerings, most agencies have found that use of national media is not very helpful in marketing residential parcels. Therefore, when agencies have offerings for residential development, it is generally inappropriate to undertake a national advertising program. Rather, advertising efforts should generally be limited to the local area, as described below in Tests 7 through 9.

2. In general, the larger and more complex an offering, the more a renewal agency should consider a national advertising program. Here are three examples of projects which fit this test:

- a. A multi-use highrise office-retail-hotel complex.
- b. A civic center with related commercial uses.
- c. A large-scale commercial air rights development over a highway or railroad right-of-way.

These types of projects would require a major developer capable of undertaking a complex development. In such cases, advertising in national trade journals and general business publications would be justified to supplement direct contact with strong local developers. Advertising should provide general information about the type of project planned, its size, location, the relationship of the offering to other development activity in the project area, and basic information about the city and the appropriate contact in the renewal agency. If the advertisement is large, the agency might also include a schematic diagram, photograph of the parcel, or specific quotations about the project from articles in newspapers or other media.

3. When a parcel is identified for an extremely specific or unusual use, the developers to whom it may be of interest are limited. For example, an offering for a hotel or department store development will appeal to a specialized group of developers. If the LPA is committed to a specific use, it should contact possible developers directly. Many national hotel and department store organizations have on-going expansion programs and may be interested in an available parcel. Additionally, the LPA should consider advertising in national trade journals to supplement direct contact with developers. Such placements have been particularly helpful to several cities with available sites for hotel development. If national advertising is undertaken, it is important to include information about

the size of the parcel, proposed reuse, basic information about the city's location and appropriate contact in the renewal agency. The agency should also try to create interest in the offering by adding additional information. For example, some cities have used completed market studies to advertise parcels for specific uses. As the Evansville, Indiana, advertisement below illustrates, references to independent market analyses can be used to highlight the need for new facilities and inform developers that the LPA has already identified an existing market. This can be a very effective promotional tool when the LPA has pinpointed specific uses.

What Real Estate Research Corporation Has to Say About Downtown Evansville:

"There is a present demand for:

- a. 275 first class hotel/motel rooms
- b. 50-100,000 square feet of major retail space
- c. 100,000 square feet of Class "A" office space

We have fully improved, cleared sites on over \$1 million Main Street Mall, or overlooking the Ohio River, available for sale at reasonable prices.

Plan now for purchase in 1974 when interest rates are more acceptable or explore tax exempt bond financing of up to \$5 million with our Economic Development Commission.

Copies of the Real Estate Research Corporation market studies and other information are yours for the asking. Please designate the use(s) you are interested in.

Mr. Raymond A. Andersen, Executive Director,
Evansville Redevelopment Commission,
Room 327, City-County Administration Building,
Evansville, Indiana 47708

812/426-5649

ADVERTISEMENT IN THE NATIONAL REAL ESTATE INVESTOR, NOVEMBER, 1973

4. When offerings are for developments with particularly unusual planning, reuse, or design characteristics, they will often have a high degree of nationwide visibility. These types of development are themselves an advertisement of the city's renewal program. Frequently, they will meet Test 2 and sometimes Test 3 above.

They may be "pioneering" efforts which will have a major impact on a large area of the city or they incorporate innovations in design or development techniques. In the early years of the renewal program, major projects like Constitution Plaza in Hartford generated national interest. More recent examples of highly visible developments are Government Center in Boston, Embarcadero Center in San Francisco, and Charles Center in Baltimore.

If an LPA undertakes a project with high national visibility, it has a "natural" promotional tool. When marketing the offering, it should combine advertising in national trade journals and general publications with screening of strong local developers. The agency might incorporate excerpts from articles published about the project in its national advertising program, and stress the unique development opportunity which the offering provides. In such cases, it is particularly appropriate to be creative in the type of advertisement placed in national publications. Furthermore, highly visible projects are useful in promoting other developments in the city. Baltimore, for example, has widely publicized Charles Center as one element of its downtown renewal efforts, thus highlighting a project with national visibility as a means of advertising other development opportunities. An agency should not hesitate to capitalize upon the national visibility of projects in its general advertising program. This can stimulate investor confidence and enhance local pride on the agency's accomplishments.

- Undertake Regional Advertising Program

If offerings do not meet Tests 1 through 4 above, a regional advertising program should be considered. Usually, a regional advertising program includes placements in newspapers and/or trade publications in surrounding states. The determination of the appropriate region will vary from city to city, but it will not generally extend beyond a four to five state area.

Regional advertisements should include the same basic elements as advertisements placed in a nationally circulated publication. These elements are type of offering, its size, location, and relationship to other development activity in the project area, plus basic information about the city and appropriate contact in the redevelopment agency. However, the agency might also wish to emphasize the strategic location of the city in the region as a whole or highlight other important regional characteristics (e.g. transportation, labor force, market area).

5. Many cities have found that regional advertising is helpful in identifying possible developer "leads". Thus, if no local developers are qualified and interested in an offering, the LPA should implement a regional advertising program. When qualified local developers do express an interest in an offering, the LPA should consider the use of a regional advertising program to supplement direct local contacts. The decision to undertake a regional program will depend largely upon the LPA's evaluation of local developer capabilities, not to mention available financial resources.
6. In certain parts of the country, there may be unique constraints upon development which a regional developer is best prepared to meet. For example, special construction techniques may be necessary to satisfy environmental protection regulations. Cities in California might specify that developments meet earthquake protection standards; cities in Florida might require special construction techniques for protection against hurricanes. Regional developers are often more familiar with and better able to meet these types of constraints than developers elsewhere in the country. If an offering requires that special attention be given to unique design, legal, historic, or political constraints, the LPA should direct its advertising to a carefully defined region within which knowledgeable developers are likely to be located. Advertisements should provide basic information about the project and might also specify that interested developers be experienced in undertaking developments with similar kinds of development.

- Undertake Local Advertising Program

Local advertising is the least expensive way to publicize directly renewal offerings. Many agencies limit local advertising to placements of formal notices of offerings, as required by HUD regulations. However, there are numerous occasions when additional local advertising may be warranted.

Generally, local advertising includes placements in metropolitan newspapers and publications. The agency should be certain to include basic information about the offering, its size, location, relationship to other development activity in the project area, and appropriate contact in the renewal agency. The agency should also consider additional ways to make the advertisement interesting. Quotations about the project from the mayor, legislators or other local officials might be used. Pictures, schematics or newspaper excerpts could also have a positive impact. Local

advertising might also be written to stress community needs and goals, emphasizing local capabilities and progress. The important consideration is to use advertising as a promotional tool.

7. It is important for the LPA to evaluate whether an offering is specifically suited to local development. For example, as discussed in Test 1, residential development is one type of activity which is usually best undertaken by local firms. Developer interest in small commercial and industrial projects is also likely to be limited to the local area. As a general rule, small single-use parcels do not justify expenditures for major regional or national advertising programs.

Small parcels can usually be marketed by direct contact with local developers. The LPA should try to be aware of developers who are looking for new sites and should make direct contacts when parcels become available. One way would be to maintain contact with the Chamber of Commerce, other local business organizations, service clubs, and professional associations. Additionally, advertising in local papers may be helpful in publicizing offerings for which the agency does not have any immediate developer prospects.

8. Many cities have found that projects which require an unusually strong developer commitment are best undertaken by local developers. The reason for this is that outside developers sometimes do not have the motivation or local involvement needed to sustain a project over a long period of time. If a project encounters delays or other difficulties, it is often easier for an outside developer to abandon it rather than try to resolve the problems. While the LPA can take steps to deal with such an occurrence (see Chapter 15, Predisposition Non-performance by Developer), the probabilities for successful completion of a difficult project are greater with local developers than with non-local development firms.

If the agency recognizes that a project is likely to require an unusually strong developer commitment, it should concentrate on identifying local developers who are capable of undertaking the project. This can be done in several ways: local advertising, coordination with local business organizations, real estate boards, and economic development commissions, and direct contact with developers. In discussions with developers, it is important to emphasize the need for the project in terms of the overall revitalization efforts of the city and to highlight the agency's belief that local

developers are qualified and necessary to complete the project successfully. The LPA should also identify any special activities which could serve as incentives to potential developers, such as agency assistance in obtaining financing or gaining necessary governmental approvals. These incentives might be cited in local advertisements and should definitely be mentioned when the agency contacts developers directly.

9. Local acceptance of urban renewal activities is an essential component of the renewal process. Projects in ethnic neighborhoods or historic preservation districts, for example, require careful attention to local attitudes about the type of redevelopment proposed, particularly when clearance and/or relocation are necessary. An agency must be sensitive to local concerns about major changes in existing neighborhoods, whatever the nature of treatment may be.

When undertaking a project which requires an unusually high level of citizen acceptance, many potential conflicts with project area residents and businesses can be avoided if local developers who are associated with the area in a positive way undertake the project. One way to increase local acceptance would be to solicit suggestions for developers from the project area committee. A second would be by using special interest local magazines or newspapers, catering to specific ethnic or racial groups. Also the agency should identify local builders and contractors who have been involved in similar redevelopment efforts either in the project area or elsewhere in the city, and contact them directly. If the agency decides to advertise the offering, it should advertise locally, emphasizing the opportunities for local participation and the importance of the offering to both the project area and the community as a whole.

INDEX

Access
see Site access

Adjacent owners
contacts
 industrial land interest
 action, 206, 217
 small/poorly configured
 lot action, 272, 274
developers
 multiple development proposal
 action, 359, 362
see also Deed to adjacent
 owners; Sale to adjacent
 owners

Adjacent parcels
see Parcel packaging; Rehabili-
tation of adjacent parcels

Advertising
see Promotional activities

Alternative disposition methods
competition-negotiation combi-
nation, 41
direct negotiation with
 developer, 43
fixed price competition, 41

hotel-motel land interest
 action, 39-40, 41-43, 176, 189
industrial land interest
 action, 39-40, 41-43, 206, 219
leasing (long-term), 43
office land interest action,
 39-40, 41-43, 146, 159
overpriced land action, 39-40,
 41-43, 73, 82-84
price predetermination, small
 parcels, 42
public auction, 42
residential land interest
 action, 39-40, 41-43, 88, 101
retail land interest action,
 39-40, 41-43, 116, 129
sealed bids, 42
take-down schedule extension,
 43
see also specific alternatives,
 e.g. Leasing

Appropriate use
see Reuse market suitability

Beautification
see Land attractiveness enhance-
ment; Project improvements;
Public facility construction;
Public improvements

- Building restrictions
 - see Restriction/control reduction
- Bond issues
 - see Voter approval
- Change lot characteristic
 - scattered nonresidential lot
 - alternative, 246, 249, 254-55
 - scattered residential lot
 - alternative, 232, 235, 241-42
 - small/poorly configured lot
 - alternative, 270-71, 273, 277-79
 - see also Alternative disposition methods
- Citizen/developer mediation
 - developer nonperformance action, 283, 291
- Citizen legal actions, 403, 417-18
- Citizen participation, 399-418
- Citizen participation
 - change reuse/abandon project
 - alternative, 401, 403, 417-18
 - increase participation alternative, 401, 402, 404-9
 - resistance to clearance, 380
 - restructured participation
 - alternative, 401, 402-3, 409-17
- Clearance
 - see Demolition; Spot clearance increase
- Community Development Block Grant
 - plan flexibility action, 261, 264-65
- Community leader support
 - disposition effect, 26-27, 37-38
 - hotel-motel land interest action, 176, 186-87, 194, 197
 - industrial land interest action, 206, 223
 - multiple development proposal
 - action, 360, 373
 - office land interest action, 145, 146, 156-57, 158, 161, 164
 - residential land interest action, 88, 102, 105
 - retail land interest action, 116, 132, 135
 - staff capability action, 338, 343
 - see also Citizen participation
- Competitive marketing
 - developer nonperformance action, 283, 285-86
 - industrial land interest action, 206, 218
- Completion rates, renewal activities
 - national means, 6, 8, 9, 10-11, 12
 - study cities, 11, 13, 14, 15, 16
- Complex projects
 - developer nonperformance action, 283, 288
- Condominium development
 - see Density reduction
- Consultant use
 - staff capability action, 338, 343-44
- Contract revisions
 - developer nonperformance action, 283-84, 292-93
- Controls
 - see Restriction/control reduction
- Controversial plan change
 - plan flexibility action, 261, 264
- Corporation
 - see Local corporation as user
- Decision trees
 - appropriate advertising, 433
 - citizen participation, 402-3
 - developer nonperformance, 283-84
 - hotel-motel land interest, 175-77
 - industrial land interest, 205-7
 - interim property management, 384-85
 - multiple development proposals, 359-60
 - office land interest, 145-47
 - overpriced land, 73-74
 - plan inflexibility, 261-62
 - project improvement timing, 347-48
 - public facility construction, 300-301
 - rehabilitation management, 318-19
 - residential land interest, 87-89
 - retail land interest, 115-17
 - sample, 68
 - scattered nonresidential lots, 248-49
 - scattered residential lots, 234-35
 - single/multiple developer, 421-22
 - small/poorly configured lots, 272-73

staff capabilities, 337-38
Deed to adjacent owners
 overpriced land action, 73, 81
 see also Sale to adjacent owners
Demolition
 hotel-motel land interest action, 175, 181, 183
 industrial land interest action, 205, 214-15
 interim property management action, 377, 379, 384, 385, 391, 394-96
 interim property management alternative, 383, 385, 394-97
 office land interest action, 145, 151, 153
 retail land interest action, 115, 122, 124
 residential land interest action, 87, 93, 95
 scattered nonresidential lot action, 247, 248, 250
 scattered residential lot action, 234, 236
 small/poorly configured lot action, 272, 275
Density reduction
 office land interest action, 146, 159
 residential land interest action, 88, 99-101
Developers
 aggressive search as disposition aid, 46-47
 contingent continuation alternative, 282, 283-84, 287-93
 inadequate interest in hotel-motel land, 173-202
 inadequate interest in industrial land, 203-30
 inadequate interest in office land, 143-72
 inadequate interest in residential land, 85-111
 inadequate interest in retail land, 113-42
 incentive increase
 disposition aid, 45-46
 plan inflexibility alternative, 260, 261, 267-68
 indefinite continuation alternative, 282, 283, 285-87

individual offering/coordinated developments, 420, 421, 425-28
individual offering/various developers, 420, 421, 423-25
large tract offering/single developer, 420, 421-22, 428-30
nonperformance, 281-95
selection effect on disposition, 29, 31-32
single/multiple offering, 419-30
technical assistance as disposition aid, 38-39
termination alternative, 282, 284, 293-95
see also Adjacent owner as developer; Multiple development proposals; National chain developers; Technical assistance developers

Development delays
 see Land disposition, delay/accelerating factors

Disposition
 see Alternative disposition methods; Land disposition

Donation
 industrial land interest action, 207, 230
 office land interest action, 147, 171-72
 overpriced land action, 74, 84
 residential land interest action, 89, 111
 retail land interest action, 117, 141-42
 scattered nonresidential lot action, 249, 258
 scattered residential lot action, 235, 243-44
 small/poorly configured lot action, 273, 280

Economic factors
 see Market forces

Enhancement
 see Land attractiveness enhancement; Rehabilitation of adjacent parcels

Exogenous factors
 delay/accelerating disposition, 21, 22, 23, 24, 25, 33-34, 35

- developer nonperformance action, 283, 286-87
 - hotel-motel land interest action, 176, 190-93
 - industrial land interest action, 207, 223-25
 - office land interest action, 146, 165-67
 - public facility construction action, 301, 312
 - residential land interest action, 88-89, 105-7
 - retail land interest action, 116, 135-37
- Financial forces
 - see Market forces
- Financial institution as user
 - office land interest action, 145, 156-57
- Flexibility
 - see Plan flexibility; Plan revisions
- Franchises
 - see National chain developers
- Frontage
 - see Site access
- Funding sources
 - business support, 48
 - citizen participation action, 403, 414-15
 - community development block grant funds, 47
 - complete use as disposition aid, 47-48
 - developer nonperformance action, 283, 288-289
 - foundation support, 47-48
 - general city funds, 47
 - plan flexibility action, 261, 264-65
 - public facility construction action, 300, 301, 306-7, 309-10, 311
 - rehabilitation management action, 318, 319, 320, 334
 - tax increment financing, 48
 - see also Subsidy funds
- Future sale
 - see Retention for future
- Government agency delays
 - developer nonperformance action, 283, 287
- Government agency as user
 - office land interest action, 146, 157
- Guidelines
 - additional studies, 3
 - background, 1
 - directions for use, 65-69
 - organization, 3
 - purpose, 1-2
 - uses/limitations, 2
- High-rise development
 - see Density reduction
- Historic designation
 - interim property management action, 380, 384, 387-88
- Hospitals
 - see Public facility construction
- Hotel-motel land
 - inadequate interest in, 173-202
- HUD leadership/administration
 - disposition effect, 32-33
- Improvements
 - see Land attractiveness enhancement; Project improvements; Public facility construction; Public services; Rehabilitation of adjacent parcels
- Individual home construction
 - scattered residential lot action, 234, 238-39
- Industrial land
 - inadequate interest in, 203-30
- Interim property management, 375-97
 - comprehensive program key elements, 381
 - disposition effect, 30
 - problems/opportunities by property type, 378
- Interim uses
 - hotel-motel land interest action, 177, 198-200
 - industrial land interest action, 207, 226-28

- interim property management
 - alternative, 383, 384, 391-94
- office land interest action, 147, 167-70
- overpriced land action, 74, 84
- property management, 375-97
- residential land interest action, 89, 107-10
- retail land interest action, 117, 138-40
- scattered nonresidential lot action, 248, 249, 254, 255-58
- scattered residential lot action, 235, 243
- small/poorly configured lot action, 273, 277, 279
- Investment analysis
 - hotel-motel land, 195, 196
 - industrial land, 221, 222
 - multi-family residential development, 103, 104
 - office land, 162, 163, 371, 372
 - residential land interest action, 102, 103-4
 - retail land, 133, 134
- Land attractiveness enhancement
 - overpriced land alternative, 72, 74, 83-84
 - see also Demolition, Maintenance, Repairs, Trash removal
- Land banking
 - hotel-motel land interest action, 177, 201-2
 - industrial land interest action, 207, 228-30
 - interim property management action, 376, 379, 385, 397
 - office land interest action, 147, 170-72
 - overpriced land action, 74, 84
 - retail land interest action, 117, 140-41
 - residential land interest action, 89, 110-11
 - scattered nonresidential lot action, 249, 256, 258
 - scattered residential lot action, 235, 243
 - small/poorly configured lot action, 273, 280
- Land disposition
 - accelerating factors, 20-21, 23, 24-34
 - alternative methods, 39-40, 41-43
 - delay factors, 20-21, 22, 24-34, 35
 - delay/accelerating factors
 - contingency plans, 50-51
 - exogenous, 21, 22, 23, 24, 25, 33-34, 35
 - local management related, 22, 23, 24, 25, 26-31
 - local market related, 22, 23, 24, 25, 31-32
 - national program-related, 21, 22, 23, 24, 25, 32-33
 - effect of various factors, 16-20
 - see also Alternative disposition methods
- Leasing
 - interim property management action, 384, 385, 391-94, 396
 - overpriced land action, 39-40, 43, 74, 84
 - scattered residential lot action, 235, 243
 - small/poorly configured lot action, 273, 279-80
- Local advertising
 - advertising alternative, 432, 433, 438-40
- Local corporation as user
 - office land interest action, 145, 156
- Local government support
 - disposition effect, 19-20, 26, 37-38
- Local industry as user
 - industrial land interest action, 206, 217
- Local investor groups
 - hotel-motel land interest action, 176, 186-87
- Maintenance
 - hotel-motel land interest action, 175, 177, 181, 183, 201-2
 - industrial land interest action, 205, 207, 214-15, 228-30
 - interim property management action, 384, 385, 394, 396-97

- interim property management
 - alternative, 383, 385, 394-97
- interim property management importance, 377
- office land interest action, 145, 147, 151, 153, 170-72
- overpriced land action, 73, 74, 81, 84
- plan flexibility action, 262, 268
- residential land interest action, 87, 89, 93, 95, 110-11
- retail land interest action, 117, 140-41
- scattered residential lot action, 234, 236
- scattered nonresidential lot action, 247, 248, 249, 250, 255-58
- Management adequacy
 - disposition effect, 29-30

Management

- see Interim property management;
- Staff capabilities

Map

- see Study cities, location

Market forces

- disposition effect, 16, 19, 33
- see also Exogenous factors

Market analysis

- hotel-motel land interest action, 175, 180-81, 182
- industrial land interest action, 205, 210-12, 213
- office land interest action, 145, 150-51, 152
- overpriced land action, 73, 75-79
- plan flexibility action, 37-64, 260, 261-262, 268, 431-40
- residential land interest action, 87, 92-93, 94
- retail land interest action, 115, 120-22, 123
- see also Plan flexibility; Plan revisions

Marketing strategy

- disposition effect, 27-29
- national/local trends and disposition, 51-52, 53-64
- see also Plan flexibility; Plan revisions

- Marketing cooperation/coordination
 - industrial land interest action, 206, 218

Marketing in stages

- scattered residential lot action, 234, 239

Marketing intensification/lot maintenance

- scattered nonresidential lot
 - alternative, 246, 247, 248, 250-54
- scattered residential lot alternative, 232, 234-35, 236-41
- small/poorly configured lot alternative, 270, 272-73, 274-77
- see also Change lot characteristic

Marketing intensification/redirection

- hotel-motel land interest alternative, 174, 175-77, 178-98
- industrial land interest alternative, 204, 205-7, 208-25
- office land interest alternative, 144, 145-46, 148-67
- residential land interest alternative, 86, 87-89, 90-107
- retail land interest alternative, 114, 115-16, 118-37

Marketing intensification/redirection

- see also Market analysis; Marketing strategy; Plan flexibility; Plan revisions

Median family income

- disposition effect, 16

Minority/local contractors

- scattered residential lot action, 234, 238

Mixed uses

- scattered nonresidential lot action, 248, 254

Multiple development proposals

- detailed proposal alternative, 358, 359-60, 365-73
- preliminary selection alternative, 358, 359, 363-65
- prescreening alternative, 358, 359, 361-63
- selection process, 357-73

Multi-family ownership development

- residential land interest action, 88, 101

Multi-project priorities

- disposition aid, 49-50

National advertising
advertising alternative,
432, 433, 434-37

National chain developers
hotel-motel land interest
action, 176, 187-89

Nonprofit sponsorship
rehabilitation management ac-
tion, 318, 327-28

Nonresidential land
scattered lots, 245-58

Nonretail facilities
retail land interest action,
116, 129

Office land
inadequate interest in, 143-72

Ordinance
see Restriction/control reduc-
tion

Overpriced land, 71-84
plan flexibility action, 261,
268
scattered nonresidential lot ac-
tion, 71-84, 248, 251-52
scattered residential lot ac-
tion, 71-84, 235, 239-40
small/poorly configured lot ac-
tion, 71-84, 272, 273, 274,
277

Parcel division
small/poorly configured lot
action, 273, 279

Parcel packaging
overpriced land action, 73, 74,
82-83
overpriced land action, 74, 83
scattered nonresidential lot
action, 249, 254
scattered residential lot ac-
tion, 235, 241
small/poorly configured lot
action, 273, 277-78

Parking lots
see Interim uses; Developers,
incentive increase; Public
facility construction; Public
services

Parks
see Interim uses; Public facility
construction; Public improvements

Participation
see Community leader support,
Citizen participation; Local
government support

Plan flexibility
disposition effect, 31
see also Market analysis; Marketing
intensification/redirection;
Marketing strategy; Plan revision;
Plan specificity reduction; Regu-
lation/control reduction

Plan inflexibility, 259-68

Plan revision
hotel-motel land interest action,
175, 178-80, 259-68
industrial land interest action,
205, 208-9, 259-68
office land interest action, 145,
148-50
plan flexibility action, 261, 262,
265-67, 268
public facility construction action,
300, 304-5
rehabilitation management action,
318, 319, 322, 331-33
residential land interest action,
87, 90-91 259-68
retail land interest action, 115,
116, 118-20, 130-31, 259-68
scattered nonresidential lot
action, 248, 252
small/poorly configured lot ac-
tion, 272, 275
see also Restriction/control re-
duction

Plan specificity reduction
plan inflexibility alternative,
260, 261, 263-67

Population characteristics
disposition effect, 16, 19, 34

Preliminary marketing
hotel-motel land interest action,
176, 191-93
industrial land interest action,
207, 224-25
office land interest action, 146,
166-67

- retail land interest action, 116, 136-37
- Prime rate
 - disposition effect, 16
- Price/value reduction
 - developer incentive, 45
 - overpriced land action, 73, 81-82
 - overpriced land alternative, 72, 73, 75-82
 - residential land interest action, 87, 91-92
- Private market construction
 - scattered nonresidential lot action, 248, 252-53
 - scattered residential lot action, 234, 237
- Private rehabilitation
 - rehabilitation management action, 318, 323-24
- Private resale
 - rehabilitation management action, 318, 329
 - see also Sale to adjacent owner
- Project improvements
 - construction timing, 345-56
 - developer nonperformance action, 283, 286
 - disposition effects, 16, 30
 - improvements before disposition alternative, 346, 347, 349-55
 - improvements with development alternative, 346, 348, 355-56
 - overpriced land action, 74, 83, 345-56
 - plan flexibility action, 261, 264
 - rehabilitation management action, 318, 324-25
 - retail land interest action, 115, 124, 125
 - scheduling as disposition aid, 48-49
- Promotional activities
 - appropriate advertising, 431-40
 - citizen participation action, 402, 411-12
 - developer location method, 46-47
 - hotel-motel land interest action, 175, 184-85, 186, 431-40
 - industrial land interest action, 205, 216-17, 431-40
 - local advertising alternative, 432, 433, 438-40
 - national advertising alternative, 432, 433, 434-37
 - office land interest action, 145, 146, 154-56, 157-58, 431-40
 - regional advertising alternative, 432, 433, 437-38
 - residential land interest action, 87, 96-97
 - retail land interest action, 115, 125-26, 431-40
 - scattered nonresidential lot action, 248, 250, 431-40
- Property management
 - see Interim property management
- Proposals
 - see Multiple development proposals
- Public facility construction
 - acceleration, 298, 300-301, 302-10
 - change reuse designation, 299, 301, 312-13
 - developer incentive, 45, 46
 - hotel-motel land interest action, 176, 189-90
 - modification of project, 298, 301, 310-12
 - overpriced land action, 74, 83-84, 297-313
 - rehabilitation management action, 318, 324-25
 - residential land interest action, 87, 95-96
 - retail land interest action, 115, 124-25
 - scheduling as disposition aid, 48-49
 - timing of, 297-313
- Public housing
 - rehabilitation management action, 318, 329-30
- Public improvements
 - hotel-motel land interest action, 175, 183-84
 - industrial land interest action, 205, 215-16
 - office land interest action, 145, 153-54
 - plan flexibility action, 261, 267-68

public facility construction
 action, 301, 311-12
 scattered nonresidential lot
 action, 247, 248, 250, 251
 scattered residential lot ac-
 tion, 234, 236, 239
 small/poorly configured lot
 action, 272, 274, 275

Public information
 see Promotional activities

Public services
 residential land interest ac-
 tion, 88, 98-99
 scattered residential lot ac-
 tion, 234, 237

Real estate broker contacts
 developer location method, 46,
 47
 hotel-motel interest action,
 175, 186
 industrial land interest ac-
 tion, 206, 217-18
 office land interest action,
 146, 158-59
 retail land interest action,
 116, 128

Reappraisal
 hotel-motel land interest ac-
 tion, 39-40, 41-43, 175,
 181, 182
 industrial land interest ac-
 tion, 71-84, 205, 212, 214
 office land interest action,
 71-84, 145, 151, 152
 overpriced land action, 73,
 75-79
 residential land interest
 action, 71-84, 87, 93, 94
 retail land interest action,
 71-84, 115, 122

Regional advertising
 advertising alternative, 432,
 433, 437-38

Rehabilitation management,
 315-34
 acceleration alternative, 316,
 318, 320-30
 closeout project alternative,
 317, 319, 333-34
 disposition effect, 30

 emphasis reduction alternative,
 316, 319, 331-33
 interim property management, 37,
 379

Rehabilitation of adjacent parcels
 residential land interest action,
 88, 99
 scattered residential lot action,
 235, 240-41

Relocation
 citizen participation action, 403,
 418
 disposition effect, 30
 inadequate resources, 376-77
 rehabilitation management action,
 318, 328-29
 scattered residential lot action,
 234, 239
 small/poorly configured lot ac-
 tion, 273, 277

Remnant parcels
 interim property management, 231-44,
 376
 overpriced land, 73, 269-80
 small/poorly configured parcels,
 272, 274
 see also Scattered nonresidential
 lots; Scattered residential lots;
 Small/poorly configured lots

Repairs
 hotel-motel land interest action,
 175, 181, 183
 industrial land interest action,
 205, 214-15
 office land interest action, 145,
 151, 153
 residential land interest action,
 87, 93, 95
 retail land interest action, 115,
 122, 124
 scattered residential lot action,
 234, 236
 small/poorly configured lot action,
 272, 275
 see also Project improvements;
 Public improvements

Residential land
 inadequate interest in, 85-111
 scattered lots, 231-44

Restriction/control reduction
 developer incentive, 46
 developer nonperformance action,
 259-68, 283, 290-91

- hotel-motel land interest
 - action, 177, 197-98, 259-68
- industrial land interest action, 205, 209-10, 259-68
- office land interest action, 146, 164, 259-68
- plan flexibility action, 261, 265-67
- rehabilitation management action, 259-68, 318, 319, 330, 332
- residential land interest action, 87, 91-92, 259-68
- retail land interest action, 115, 120, 259-68
- scattered nonresidential lot action, 248, 252, 259-68
- scattered residential lot action, 235, 240
- small/poorly configured lot action, 259-68, 272, 275
- Retail land
 - inadequate interest in, 113-142
 - see also Nonresidential land
- Retail centers
 - see Shopping centers
- Retension for future
 - hotel-motel land interest alternative, 174, 177, 198-202
 - industrial land interest alternative, 204, 207, 226-30
 - interim property management alternative, 383, 384, 386-90
 - office land interest action, 144, 147, 167-72
 - overpriced land alternative, 72, 74, 84
 - plan flexibility action, 262, 268
 - residential land interest alternative, 86, 89, 107-111
 - retail land interest alternative, 114, 117, 138-42
 - scattered nonresidential lot alternative, 246, 249, 255-58
 - scattered residential lot alternative, 232, 235, 243-44
 - small/poorly configured lot alternative, 271, 273, 279-80
 - Retension of existing users
 - retail land interest action, 116, 129-30
 - Reuse market suitability tests
 - developer nonperformance action, 283, 284, 287-88, 293
 - hotel-motel land interest action, 176, 190
 - overpriced land test, 73, 81, 85-111, 113-42, 143-72, 173-202, 203-30
 - public facility construction action, 301, 312-13
 - residential land interest action, 87, 97-98
 - retail land interest action, 116, 130-31
 - Reuse potential concentration
 - rehabilitation management action, 318, 325-27
 - Sale to adjacent owners
 - residential land interest action, 88, 101
 - single/multiple developer action, 421, 424-25
 - scattered nonresidential lot action, 248, 253
 - scattered residential lot action, 234, 239
 - small/poorly configured lot action, 272, 273, 276, 279
 - see also Deed to adjacent owners
 - Sale to public agency
 - small/poorly configured lot action, 272, 276
 - Scattered nonresidential lots, 245-58
 - see also Parcel packaging; Small/poorly configured lots
 - Scattered residential lots, 231-44
 - residential land interest action, 88, 98, 231-44
 - see also Parcel packaging; Small/poorly configured lots
 - Schools
 - see Public facility construction
 - Shopping centers
 - neighborhood
 - retail land interest action, 115-16, 127-31, 133, 134

- outlying
 - retail land interest action, 115-16, 126-27
 - disposition effect, 33
- Site access
 - plan flexibility action, 261, 267-68
 - scattered nonresidential lot action, 249, 254-55
 - scattered residential lot action, 235, 242
 - small/poorly configured lot action, 273, 278
- Site desirability
 - industrial land interest action, 206, 218-19
- Size of city
 - disposition effect, 16, 19
- Size of project
 - disposition effect, 16
- Small-scale construction
 - multiple development proposal action, 359, 363
 - scattered nonresidential lot action, 248, 253
 - small/poorly configured lot action, 272, 276
- Small/poorly configured lots, 269-80
 - see also Remnant parcels;
 - Scattered nonresidential lots;
 - Scattered residential lots
- Speculative housing
 - scattered residential lot action, 234, 238
- Spot clearance increase
 - rehabilitation management action, 318, 322-23
- Staff capabilities/leadership
 - disposition aid, 49
 - disposition effect, 19, 27
 - expansion alternative, 336, 337-38, 339-42
 - hotel-motel land interest action, 176, 193-94, 195, 335-44
 - industrial land interest action, 206, 219-20, 335-44
 - insufficient, 335-44
 - office land interest action, 146, 159-61, 335-44
 - outside assistance alternative, 336, 338, 342-44

- rehabilitation management action, 318, 329
- residential land interest action, 88, 101-2, 103-4, 335-44
- retail land interest action, 116, 131-32, 335-44

Storage facilities

- see Interim uses

Streets

- see Project improvements; Public improvements; Site access

Study cities, location, 7

Subsidy funds

- disposition effect, 19
- rehabilitation management action, 318, 320-22
- residential land interest action, 87, 97-98
- scattered residential lot action, 234, 237-38

Take-down schedule extension

- developer incentive, 45
- developer nonperformance action, 283, 293
- overpriced land action, 39-40, 43, 73, 82

Tax abatements

- developer incentive, 45

Technical assistance

- citizen groups
 - citizen participation action, 403, 413-14
- developers
 - developer nonperformance action, 283, 292
 - disposition aid, 38-39
- homeowners
 - rehabilitation management action, 318, 330

Trash removal

- hotel-motel land interest action, 175, 181, 183
- industrial land interest action, 205, 214-15
- office land interest action, 145, 151, 153
- retail land interest action, 115, 122, 124

residential land interest
action, 87, 93, 95
scattered nonresidential lot
action, 247, 248, 250
scattered residential lot ac-
tion, 234, 236
small/poorly configured lot ac-
tion, 272, 275
see also Maintenance

Users

see Financial institutions as
users; Government agencies as
users; Local corporation as
user; Local industry as user;
Retention of existing users

Utility installation

industrial land interest action,
205, 210
small/poorly configured lot ac-
tion, 273, 279
see also Project improvements;
Public improvements

Volunteer assistance

staff capability action, 338,
343

Voter approval

hotel-motel land interest ac-
tion, 176, 190
public facility construction
action, 300, 306-7

Zoning

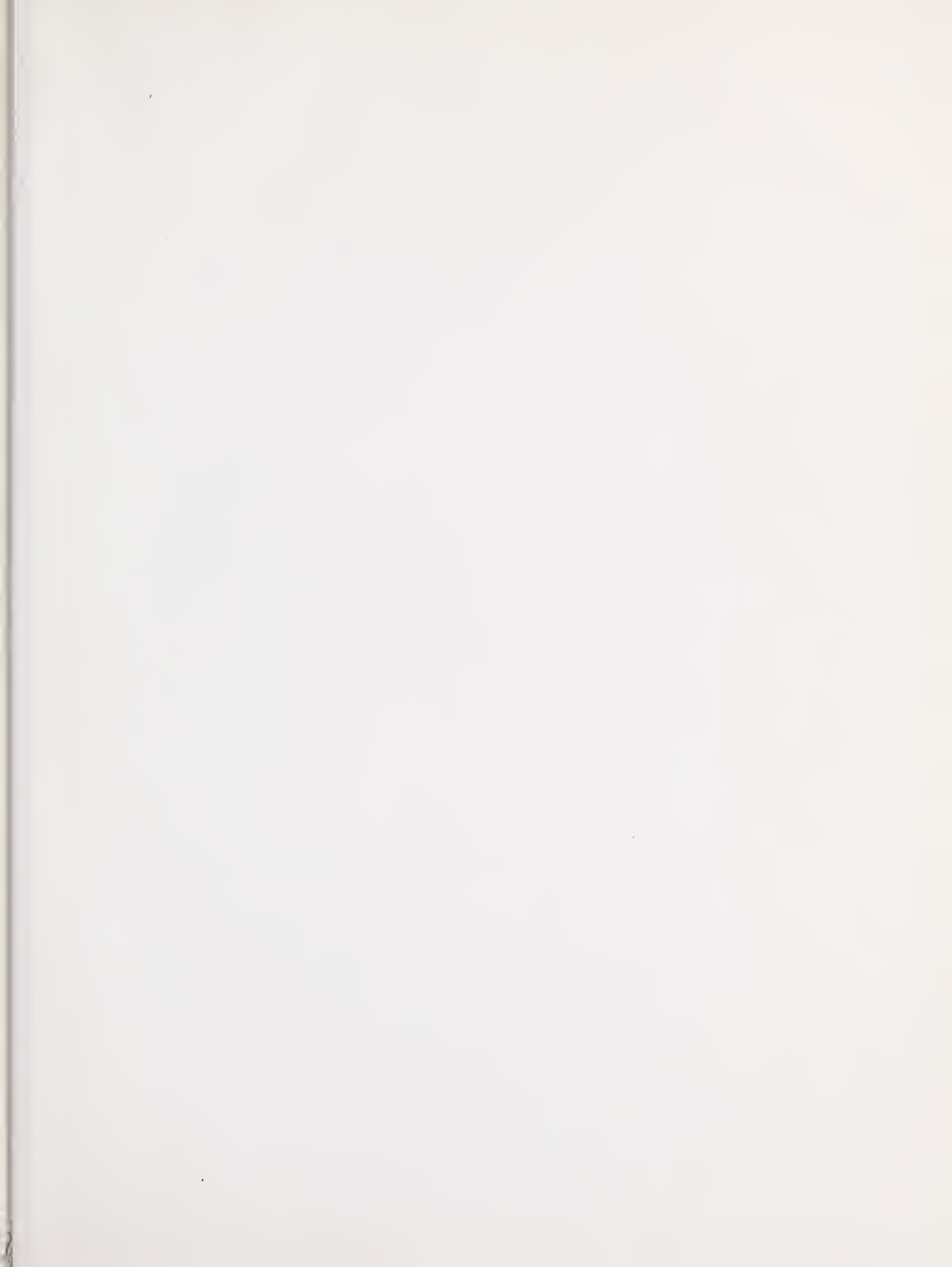
see Density reduction; Restric-
tion/control reduction

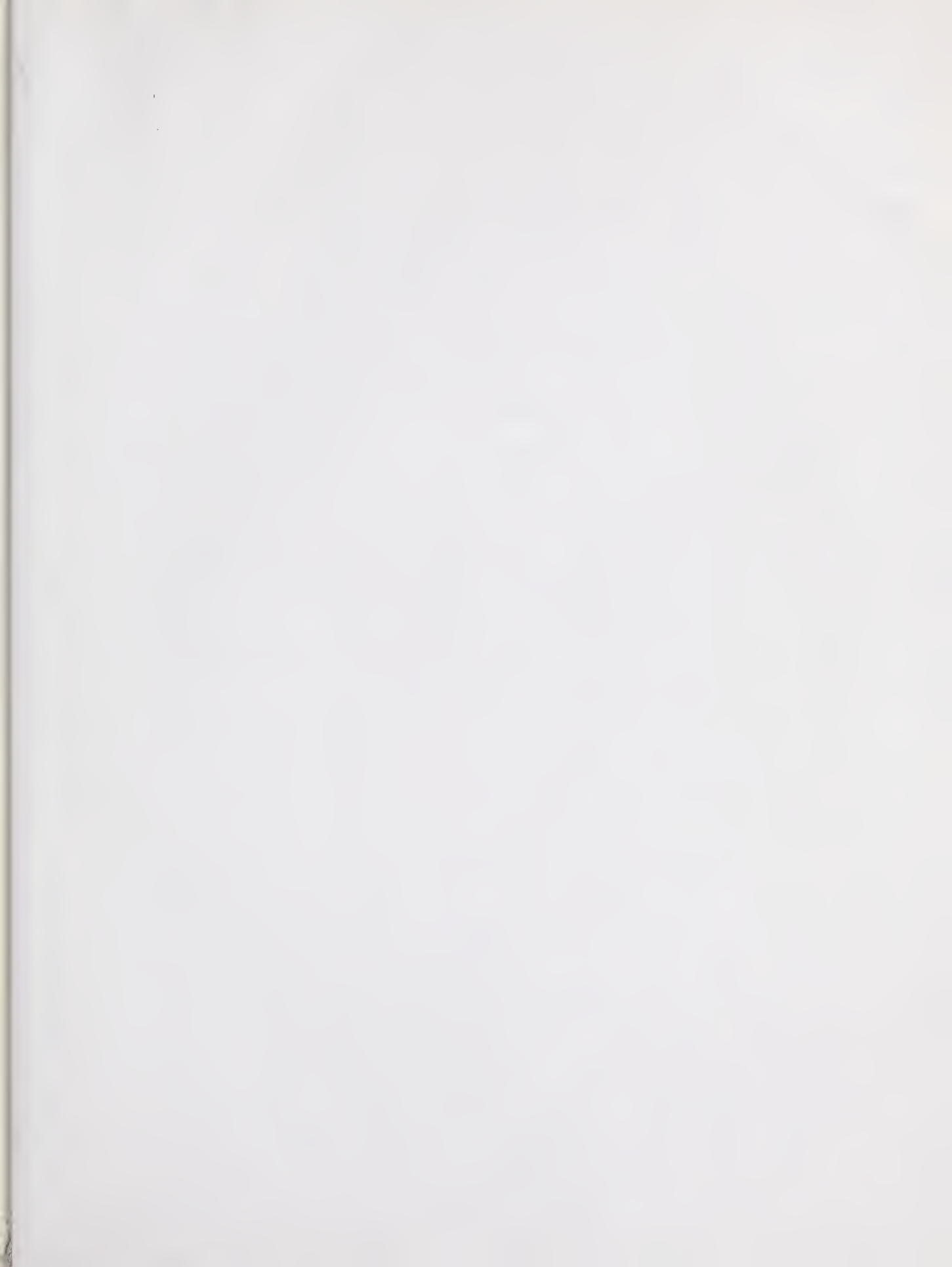
URBAN RENEWAL LAND DISPOSITION STUDY

PROJECT STAFF

- Project Director
Anthony Downs
- Project Manager
Lewis Bolan
- Project Staff
Brady Armstrong*
Judy Beggs
Joan Garber Beste
Audrey Burkes
Larry Bush
Thomas J. Harrison
Chi Wing Ho
Ellen Jacknain
Thomas Karst
Eugene Kilgen
M. Leanne Lachman
Sedgwick Mead
James Roberts
David Roth
James Schulte*
Frances Sontag
Willard Sprague
Richard Starr
John Williams
David Wuenscher

* RTKL Staff Member





March 1975
HUD-CPD-82

